

**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 June 30, 2025

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: **001-38608**

Datavault AI Inc.

(Exact name of registrant as specified in its charter)

Delaware

30-1135279

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

15268 NW Greenbrier Pkwy

Beaverton, OR 97006

(Address of principal executive offices) (Zip Code)

(408) 627-4716

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 \$0.0001 per share	DVLT	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 such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

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

The number of shares of the registrant's common stock outstanding as of August 18, 2025 is 97,692,374.

DATAVAULT AI INC. (formerly WiSA Technologies, Inc.) and Subsidiaries
QUARTERLY REPORT ON FORM 10-Q
For the quarter ended June 30, 2025

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

DATAVAULT AI INC. CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands, except share and per share data)

	June 30, 2025 (unaudited)	December 31, 2024 (1)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 662	\$ 3,330
Accounts receivable	468	349
Unbilled accounts receivable	356	109
Inventories	1,365	1,618
Prepaid expenses and other current assets	945	1,033
Total current assets	3,796	6,439
Property and equipment, net	347	58
Intangible assets	96,780	92,575
Goodwill	19,135	—
Deposit for business combination	—	1,000
Other assets	632	553
Total assets	\$ 120,690	\$ 100,625
Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 3,854	\$ 2,779
Accrued liabilities	3,742	1,334
Convertible note payable, net, related party, current	521	—
Total current liabilities	8,117	4,113
Convertible note payable, net, related party, net of current	6,851	9,569
2025 Convertible Notes	20,957	—
Convertible Notes to CSI shareholders	10,054	—
Warrant liabilities	9	664
Other liabilities	633	553
Total liabilities	46,621	14,899
Commitments and contingencies (Note 8)		
Series B Convertible Redeemable Preferred Stock, par value \$0.0001; 375,000 shares authorized; 0 and 38,335 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	—	—
Stockholders' Equity:		
Common stock, par value \$0.0001; 300,000,000 shares authorized; 86,661,219 and 52,034,060 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	7	5
Additional paid-in capital	419,192	384,172
Accumulated deficit	(345,130)	(298,451)
Total stockholders' equity	74,069	85,726
Total liabilities, convertible preferred stock and stockholders' equity	\$ 120,690	\$ 100,625

(1) The condensed consolidated balance sheet as of December 31, 2024 was derived from the audited consolidated balance sheet as of that date.

Note: Share and per share amounts have been retroactively adjusted to reflect the impact of a 1-for-150 reverse stock split effected in April 2024, as discussed in Note 1.

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

DATAVAULT AI INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and six months ended June 30, 2025 and 2024

(in thousands, except share and per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue, net	\$ 1,735	\$ 345	\$ 2,364	\$ 600
Cost of revenue	1,700	334	2,260	672
Gross profit (deficit)	35	11	104	(72)
Operating Expenses:				
Research and development	4,224	1,789	6,585	3,504
Sales and marketing	1,742	865	3,237	1,794
General and administrative	6,528	2,762	12,172	4,193
Total operating expenses	12,494	5,416	21,994	9,491
Loss from operations	(12,459)	(5,405)	(21,890)	(9,563)
Interest expense, net	(17,202)	(4)	(17,322)	(1,269)
Change in fair value of 2025 Notes measured at fair value	(8,804)	—	(8,804)	—
Change in fair value of convertible note to related party measured at fair value	1,355	—	1,355	—
Change in fair value of warrant liabilities	2	(37,255)	19	(29,126)
Other expense, net	(3)	(1)	(32)	—
Loss before provision for income taxes	(37,111)	(42,665)	(46,674)	(39,958)
Provision for income taxes	5	—	5	—
Net loss	(37,116)	(42,665)	(46,679)	(39,958)
Deemed dividend on conversion of Series B preferred for common stock and repurchase of Series B preferred stock	—	—	—	(5,842)
Net loss attributable to common stockholders	\$ (37,116)	\$ (42,665)	\$ (46,679)	\$ (45,800)
Net loss per common share - basic and diluted	\$ (0.54)	\$ (11.89)	\$ (0.77)	\$ (21.95)
Weighted average number of common shares used in computing net loss per common share	68,174,418	3,587,122	60,968,158	2,086,312

Note: Share and per share amounts have been retroactively adjusted to reflect the impact of a 1-for-150 reverse stock split effected in April 2024, as discussed in Note 1.

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

DATAVAULT AI INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
For the three and six months ended June 30, 2025 and 2024
(in thousands, except share and per share data)
(unaudited)

	Convertible Preferred Stock		Common Shares		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Balance as of December 31, 2024	—	\$ —	52,034,060	\$ —	\$ 384,172	\$ (298,451)	\$ 85,726
Stock-based compensation	—	—	5,986,893	—	648	—	648
Issuance of common stock in connection with the February Offering	—	—	4,757,126	1	4,859	—	4,860
Issuance of common stock in connection with warrant exercise	—	—	3,246,111	—	—	—	—
Conversion of liability warrants to equity warrants	—	—	—	—	15	—	15
Net loss	—	—	—	—	—	(9,563)	(9,563)
Balance as of March 31, 2025	—	—	66,024,190	\$ 6	\$ 389,694	\$ (308,014)	\$ 81,686
Stock-based compensation	—	—	3,701,197	—	1,151	—	1,151
Issuance of common stock in connection with warrant exercise	—	—	2,989,887	—	—	—	—
Issuance of common stock for conversions	—	—	1,845,945	—	1,545	—	1,545
Issuance of common stock with NYIAX transaction	—	—	1,500,000	—	—	—	—
Issuance of warrants with the 2025 Notes	—	—	—	—	16,657	—	16,657
Issuance of common stock for the acquisition of CSI	—	—	10,600,000	1	10,282	—	10,283
Equity issuance costs	—	—	—	—	(137)	—	(137)
Net loss	—	—	—	—	—	(37,116)	(37,116)
Balance as of June 30, 2025	—	—	86,661,219	\$ 7	\$ 419,192	\$ (345,130)	\$ 74,069

	Convertible Preferred Stock		Common Shares		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Balance as of December 31, 2023	38,335	\$ 247	222,380	\$ 1	\$ 241,884	\$ (247,042)	\$ (5,157)
Stock-based compensation	—	—	4	—	380	—	380
Cumulative effect of ASU 2020-06 adoption	—	116	—	—	(116)	—	(116)
Issuance of Series B preferred stock in connection with warrant exercise, net of discounts	29,322	386	—	—	—	—	—
Issuance of common stock in connection with conversion of Series B preferred stock	(5,000)	(325)	8,038	—	325	—	325
Deemed dividend on conversion of Series B preferred for common stock and repurchase of Series B preferred stock	—	5,842	—	—	(5,842)	—	(5,842)
Repurchase of Series B preferred stock and Series B preferred stock warrants	(62,657)	(6,266)	—	—	824	—	824
Issuance of common stock, pre-funded units and warrants, net of offering costs	—	—	1,442,518	—	4,210	—	4,210
Issuance of common stock in connection with reverse split rounding-up for fractional shares	—	—	84,255	—	—	—	—
Net income	—	—	—	—	—	2,707	2,707
Balance as of March 31, 2024	—	—	1,757,195	\$ 1	\$ 241,665	\$ (244,335)	\$ (2,669)
Stock-based compensation	—	—	255,915	—	241	—	241
Issuance of common stock in connection with warrant exercise	—	—	441,822	—	556	—	556
Issuance of common stock and warrants, net of offering costs	—	—	2,466,583	—	8,756	—	8,756
Issuance of common stock to vendors	—	—	—	—	360	—	360
Restricted stock awards cancelled	—	—	(82)	—	—	—	—
Release of vested restricted common stock	—	—	1	—	—	—	—
Conversion of liability warrants to equity warrants	—	—	—	—	41,851	—	41,851
Net loss	—	—	—	—	—	(42,665)	(42,665)
Balance as of June 30, 2024	—	—	4,921,434	\$ 1	\$ 293,429	\$ (287,000)	\$ 6,430

Note: Share and per share amounts have been retroactively adjusted to reflect the impact of a 1-for-150 reverse stock split effected in April 2024, as discussed in Note 1.

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

DATAVAULT AI INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2025 and 2024
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (46,679)	\$ (39,958)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	1,799	777
Depreciation and amortization	4,825	48
Amortization of debt discounts	431	1,260
Change in fair value of convertible debt	7,595	—
Fair value of equity warrants in interest expense	16,657	—
Accreted interest on CSI Convertible Notes	89	—
Shares payable to NYIAX	1,088	—
Change in fair value of warrant liability	(19)	29,126
Changes in operating assets and liabilities:		
Accounts receivable	(119)	177
Unbilled accounts receivable	21	—
Inventories	416	407
Prepaid expenses and other current assets	182	(418)
Other assets	54	53
Accounts payable	962	(534)
Accrued liabilities	(68)	46
Other liabilities	(65)	(29)
Net cash used in operating activities	(12,831)	(9,045)
Cash flows from investing activities:		
Issuance of note receivable	—	(150)
Purchases of property and equipment	(52)	(20)
Cash paid for acquisition of CSI, net	(6,500)	—
Net cash used in investing activities	(6,552)	(170)
Cash flows from financing activities:		
Proceeds from issuance of convertible notes, net of issuance costs	13,698	—
Proceeds from issuance of common stock, net of issuance costs	4,722	—
Proceeds from issuance of common stock in connection with warrant exercise	—	556
Proceeds from issuance of common stock and warrants, net of offering costs	—	19,980
Proceeds from issuance of short-term loan, net of issuance costs	—	600
Proceeds from exercise of warrants	—	714
Repurchase of Series B preferred stock warrants	—	(6,266)
Repayment of short-term loan	—	(667)
Repurchase of common stock warrants	(622)	—
Repayment of convertible notes principal and accrued interest	(1,083)	—
Net cash provided by financing activities	16,715	14,917
Net decrease in cash and cash equivalents	(2,668)	5,702
Cash and cash equivalents as of beginning of period	3,330	411
Cash and cash equivalents as of end of period	662	6,113
Noncash Investing and Financing Activities:		
Conversion of liability warrants to equity warrants	—	\$ 41,851
Issuance of warrant liability in connection with financing	—	\$ 8,701
Deemed dividend on conversion of Series B preferred stock and repurchase of Series B preferred stock	—	\$ 5,842
Unpaid financings issuance costs	—	\$ 421
Cashless exercise of warrants	—	\$ 587
Issuance of common stock to vendors	—	\$ 360
warrant exercise in connection with loan settlement	—	\$ 333
Issuance of common stock in connection with Series B preferred stock	—	\$ 325
Capitalized acquisition costs	\$ 117	—
CSI Convertible Notes issued for CSI acquisition	\$ 9,718	\$ —
Non cash common shares issued in CSI acquisition	\$ 10,282	—
Deposit paid in December 2024 used in CSI acquisition closing	\$ 1,000	—
Shares payable to NYIAX in share exchange agreement	\$ 1,088	—
Reclass liability warrant to equity	\$ 15	\$ —
May 2025 10% note conversions	\$ 1,545	\$ —

Note: Share and per share amounts have been retroactively adjusted to reflect the impact of a 1-for-150 reverse stock split effected in April 2024, as discussed in Note 1.

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

DATAVAULT AI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2025 and 2024
(unaudited)

1. Business and Summary of Significant Accounting Policies

Datavault AI Inc., formerly known as WiSA Technologies, Inc., and before then Summit Wireless Technologies, Inc. (together with its subsidiaries also referred to herein as “we”, “us”, “our”, “Datavault”, “Datavault AI” or the “Company”), was originally formed as a limited liability company in Delaware on July 23, 2010. The Company’s business is to deliver the best-in-class data management and monetization, as well as using wireless audio to transmit data and audio for consumer use. Datavault stands at the forefront of innovation, delivering cutting-edge Web 3.0 data management and high-performance computing (HPC) solutions to a global audience.

On May 20, 2025, the Company completed its previously announced asset purchase of technology assets, customer contracts, trademarks, and other intellectual property (collectively, the “CSI Acquired Assets”) from CompuSystems, Inc. (“CSI”). CSI is a provider of registration, data analytics, and lead management services for live events, offering customer support to clients in the trade, association, corporate, and government event markets. The results of operations of CSI are included in the unaudited condensed consolidated financial statements of the Company for the three and six months ended June 30, 2025 since the date of acquisition.

Nasdaq Compliance

Stockholders Equity Deficiency

On July 3, 2024, the Company received a letter from the Office of General Counsel of The Nasdaq Stock Market LLC (“Nasdaq”) confirming that the Company has regained compliance with the equity requirement under Nasdaq Listing Rule 5550(b)(1) (the “Equity Rule”) as required by the Nasdaq Hearing Panel’s (the “Panel”) decision dated April 5, 2024 (the “April 2024 Decision”).

The Panel has determined to impose a monitoring period (the “Monitor Period”), pursuant to Nasdaq Listing Rule 5815(d)(4)(B). If, during the Monitor Period, which lasts until July 3, 2025, the Nasdaq Listing Qualifications staff (“Staff”) finds the Company again out of compliance with the Equity Rule, notwithstanding Nasdaq Listing Rule 5810(c)(2), the Company will not be permitted to provide the Staff with a plan of compliance with respect to such deficiency and Staff will not be permitted to grant additional time for the Company to regain compliance with respect to such deficiency, nor will the Company be afforded an applicable cure or compliance period pursuant to Nasdaq Listing Rule 5810(c)(3). Instead, Staff will issue a Delist Determination Letter and the Company will have an opportunity to request a new hearing with the initial Panel or a newly convened Hearings Panel if the initial Panel is unavailable. The Company will have the opportunity to respond and present to the Panel as provided by Nasdaq Listing Rule 5815(d)(4)(C). The Company’s securities may at that time be delisted from Nasdaq. The monitoring period expired July 25, 2025 with no further action required by the Company.

First Bid Price Deficiency

On April 29, 2024, the Company received a letter from Nasdaq notifying the Company that it has regained compliance with the Minimum Bid Price Requirement (defined below) pursuant to Listing Rule 5550 (a)(2), as required by the April 2024 Decision. The Company will be subject to a mandatory panel monitor for a period of one year from the date of the letter pursuant to Nasdaq Listing Rule 5815(d)(4)(B). If, within that one-year monitoring period, the Staff finds the Company again out of compliance with the Minimum Bid Price Requirement, notwithstanding Nasdaq Listing Rule 5810(c)(2), the Company will not be permitted to provide the Staff with a plan of compliance with respect to that deficiency and the Staff will not be permitted to grant additional time for the Company to regain compliance with respect to that deficiency, nor will the Company be afforded an applicable cure or compliance period pursuant to Nasdaq Listing Rule 5810 (c)(3). Instead, the Staff will issue a delist determination letter and the Company will have an opportunity to request a new hearing with the initial Panel or a newly convened hearings panel if the initial Panel is unavailable. The one-year monitoring period has concluded with no further action required by the Company

DATAVAULT AI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2025 and 2024
(unaudited)

1. Business and Summary of Significant Accounting Policies, continued

Second Bid Price Deficiency

On May 6, 2025, the Company received a written notification (the “May 2025 Nasdaq Letter”) from the Staff that it was not in compliance with the minimum bid price requirement for continued listing on the Nasdaq Capital Market, as set forth under the Nasdaq Listing Rule 5550(a)(2) Minimum Bid Price Requirement, because the closing bid price of the Company’s common stock was below \$1.00 per share for the previous thirty (30) consecutive business days (the “Minimum Bid Price Requirement”). The May 2025 Nasdaq Letter has no immediate effect on the listing of the common stock, which will continue to trade uninterrupted on the Nasdaq Capital Market under the ticker “DVLIT.”

Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company has been granted 180 calendar days from the date of the May 2025 Nasdaq Letter, or until November 3, 2025 (the “Compliance Period”), to regain compliance with the Minimum Bid Price Requirement. If at any time during the Compliance Period, the bid price of the common stock closes at or above \$1.00 per share for a minimum of ten (10) consecutive business days, Nasdaq will provide the Company with written confirmation of compliance with the Minimum Bid Price Requirement and the matter will be closed.

In the event the Company does not regain compliance with the Minimum Bid Price Requirement by the end of the Compliance Period, the Company may be eligible for an additional 180-calendar day grace period. To qualify, the Company will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and will need to provide written notice to Nasdaq of its intent to regain compliance with such requirement during such second compliance period.

If the Company does not regain compliance within the allotted compliance period(s), including any extensions that may be granted by Nasdaq, Nasdaq will provide notice that the Common Stock will be subject to delisting from the Nasdaq Capital Market.

Reverse Stock Split

April 2024 Reverse Stock Split

On April 4, 2024, the Board approved a 1-for-150 reverse stock split (the “April 2024 Reverse Stock Split”) of our outstanding shares of common stock and authorized the filing of a certificate of amendment to our certificate of incorporation, as amended, with the Secretary of State of the State of Delaware to effect the April 2024 Reverse Stock Split. On April 12, 2024, the April 2024 Reverse Stock Split was effected and the condensed consolidated financial statements have been retroactively adjusted. All common stock share numbers, warrants to purchase common stock, prices and exercise prices have been retroactively adjusted to reflect the April 2024 Reverse Stock Split. The common stock began trading on a split-adjusted basis at the start of trading on April 15, 2024. Unless otherwise indicated, the information presented in this Quarterly Report on Form 10-Q (this “Report”) gives effect to the April 2024 Reverse Stock Split.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include all adjustments necessary for the fair presentation of the Company’s financial position, results of operations and cash flows for the periods presented. The condensed consolidated financial statements reflect the accounts of Datavault AI Inc. and its wholly-owned subsidiaries, WISA Technologies Korea, LTD, a Korean limited company, which was established in September 2022, and WiSA, LLC, a Delaware limited liability company. All intercompany balances and transactions are eliminated.

DATAVAULT AI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2025 and 2024
(unaudited)

1. Business and Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to prior periods' condensed consolidated financial statements to conform to the current period presentation. These reclassifications did not result in any change in previously reported net income (loss), total assets or stockholders' deficit.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited in demand and money market accounts at one financial institution. At times, such deposits may be in excess of insured limits. The Company has not experienced any losses on its deposits of cash and cash equivalents.

The Company's accounts receivable are derived from revenue earned from customers located throughout the world. The Company performs credit evaluations of its customers' financial condition and may, in certain circumstances, require full or partial payment in advance of shipping. As of June 30, 2025 and December 31, 2024, there was no allowance for credit losses. As of June 30, 2025, the Company had two customers accounting for 25% and 13% of accounts receivable. As of December 31, 2024, the Company had three customers accounting for 68%, 12% and 11% of accounts receivable.

The Company had two customer accounting for 18% and 10% of its net revenue for the three months ended June 30, 2025. The Company had two customers accounting for 13% and 10% of its net revenue for the six months ended June 30, 2025. The Company had four customers accounting for 33%, 27%, 20% and 11% of its net revenue for the three months ended June 30, 2024. The Company had four customers accounting for 28%, 27%, 19% and 10% of its net revenue for the six months ended June 30, 2024.

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, rapid technological change, continued acceptance of the Company's products, competition from substitute products and larger companies, protection of proprietary technology, strategic relationships and dependence on key individuals.

The Company relies on sole-source suppliers to manufacture some of the components used in its product. The Company's manufacturers and suppliers may encounter problems during manufacturing due to a variety of reasons, any of which could delay or impede their ability to meet demand. The Company is heavily dependent on a single contractor in China for assembly and testing of its products, a single contractor in Japan for the production of its transmit semiconductor chips and a single contractor in China for the production of its receive semiconductor chips.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at the invoice amount and are generally not interest bearing. The Company reviews its trade receivables aging to identify specific customers with known disputes or collection issues. The Company exercises judgment when determining the adequacy of these reserves as it evaluates historical bad debt trends and changes to customers' financial conditions. No allowance for credit losses was deemed necessary as of June 30, 2025 or December 31, 2024.

DATAVAULT AI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2025 and 2024
(unaudited)

1. Business and Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and accrued liabilities approximate fair value due to their relatively short maturities. The carrying value of the Company's borrowings and capital lease liabilities approximates fair value based upon borrowing rates currently available to the Company for loans and capital leases with similar terms. The Company's warrant liabilities and the convertible notes payable, net to a related party and the 2025 Convertible Notes (defined below) are the only financial instruments that are adjusted to fair value on a recurring basis.

Inventories

Inventories, principally purchased components, are stated at the lower of cost or net realizable value. Cost is determined using an average cost, which approximates actual cost on a first-in, first-out basis. Inventory in excess of salable amounts and inventory which is considered obsolete based upon changes in existing technology is written off. At the point of loss recognition, a new lower cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in the new cost basis.

Deferred Offering Costs

Deferred offering costs, consisting of legal, accounting and filing fees relating to public offerings, are capitalized. The deferred offering costs will be offset against public offering proceeds upon the effectiveness of an offering. In the event that an offering is terminated, deferred offering costs will be expensed. As of June 30, 2025 and December 31, 2024, the Company had capitalized no deferred offering costs.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is computed using the straight-line method over their estimated useful lives of two to five years. Leasehold improvements and assets acquired under capital lease are amortized on a straight-line basis over the shorter of the useful life or term of the lease. Upon retirement or sale, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reflected in operations. Maintenance and repairs are charged to operations as incurred.

Convertible Financial Instruments

The Company bifurcates conversion options and warrants from their host instruments and accounts for them as freestanding derivative financial instruments if certain criteria are met. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional, as that term is described under applicable U.S. GAAP.

When the Company has determined that the embedded conversion options and warrants should be bifurcated from their host instruments, discounts are recorded for the intrinsic value of conversion options embedded in the instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the instrument.

Debt discounts under these arrangements are amortized to interest expense using the interest method over the earlier of the term of the related debt or their earliest date of redemption.

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1. Business and Summary of Significant Accounting Policies, continued

Warrants for Common Shares, Convertible Redeemable Preferred Shares, and Derivative Financial Instruments

Warrants for our common shares, convertible redeemable preferred shares, and derivative financial instruments are classified as equity if the contracts (1) require physical settlement or net-share settlement or (2) give the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). Contracts which (1) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the control of the Company), (2) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement), or (3) contain reset provisions that do not qualify for the scope exception are classified as equity or liabilities. The Company assesses classification of its warrants for shares of common stock and other derivatives at each reporting date to determine whether a change in classification between equity and liabilities is required.

Product Warranty

The Company's products are generally subject to a one-year warranty, which provides for the repair, rework, or replacement of products (at the Company's option) that fail to perform within the stated specification. The Company has assessed its historical claims and, to date, product warranty claims have not been significant. The Company will continue to assess if there should be a warranty accrual going forward.

Revenue Recognition

The Company historically generates revenue primarily from two product categories which are the sale of consumer audio products ("Consumer Audio Products") as well as the sale of components ("Components"). With the closing of the CSI acquisition, the Company also generates revenue from registration, data analytics, and lead management services for live events, such as trade shows and conferences, in both the corporate and government sectors ("Live Events"). The Company applies the following five steps: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied. The Company considers customer purchase orders to be the contracts with a customer for Consumer Audio Products and Components. The Company also enters into contracts with customers for providing Live Events with terms of three years. The contract typically terminates after the close of the last event specified in the contract, unless both parties agree in writing to extend it. There are no termination-for-convenience clauses in the CSI contract. Contracts can only be terminated for breach or non-performance and in that circumstance, the Company must be compensated for all services up to the date of termination. Therefore, a standard CSI contract is typically not shorter than its stated term.

Revenues on Consumer Audio Products and Components, net of expected discounts, are recognized when the performance obligations of the contract with the customer are satisfied and when control of the promised goods are transferred to the customer, typically when products, which have been determined to be the only distinct performance obligations, are shipped to the customer. Expected costs of assurance warranties and claims are recognized as expense.

Revenues generated from Live Events contracts have a single performance obligation, event preparation and management. A standard CSI contract contains fixed fees for services and pass through costs and other expenses that are variable depending on the number of supplies used or personnel costs incurred which are passed through to the client and are recognized on a gross basis in revenue as costs to fulfill the contract. The contract also includes rebates payable to the client which the Company estimates as variable consideration using the most likely amount method at the outset of the contract. The entire transaction price relates to the event preparation and management performance obligation. The Company recognizes revenue as services are rendered using the input method. The Company uses the input method of labors hours expended as it provides the best depiction of the transfer of services to the client.

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1. Business and Summary of Significant Accounting Policies, continued

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company for Consumer Audio Products and Components from a customer and deposited with the relevant government authority, are excluded from revenue. The Company's revenue arrangements do not contain significant financing components.

For Consumer Audio and Components, sales to certain distributors are made under arrangements which provide the distributors with price adjustments, price protection, stock rotation and other allowances under certain circumstances. The Company does not provide its customers with a contractual right of return. However, the Company accepts limited returns on a case-by-case basis. These returns, adjustments and other allowances are accounted for as variable consideration. We estimate these amounts based on the expected amount to be provided to customers and reduce revenue recognized. We believe that there will not be significant changes to our estimates of variable consideration.

If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional before we transfer a good or service to the customer, those amounts are classified as contract liabilities which are included in other current liabilities when the payment is made or it is due, whichever is earlier.

During the three and six months ended June 30, 2025 and 2024, net revenue consisted of the following:

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Components	\$ 258	\$ 314	\$ 750	\$ 473
Consumer Audio Products	45	31	182	127
Live Events	1,432	—	1,432	—
Total	<u>\$ 1,735</u>	<u>\$ 345</u>	<u>\$ 2,364</u>	<u>\$ 600</u>

Contract Balances

The Company receives payments from customers based on a billing schedule as established in our contracts to partially offset prepayments required by our vendors on long lead time materials as well as for Live Events. Amounts collected prior to the fulfillment of the performance obligation are considered contract liabilities and classified as customer advances within accrued liabilities on the consolidated balance sheets. Contract assets are recorded when the Company has a conditional right to consideration for our completed performance under the contracts. Accounts receivables are recorded when the right to this consideration becomes unconditional. The Company has \$356,000 and \$109,000 of contract assets as of June 30, 2025 and December 31, 2024, respectively, which are recorded in Prepaids and other current assets on the condensed consolidated balance sheets. The Company expects to collect 100% of the contract assets as of June 30, 2025 in the next twelve months. During the six months ended June 30, 2025, the Company recognized \$53,000 of revenue that was included in the contract liabilities balance as of December 31, 2024.

(in thousands)	June 30, 2025	December 31, 2024
Contract Liabilities	\$ 1,004	\$ 174

Revenue by Geographic Area

In general, revenue disaggregated by geography (See Note 10) is aligned according to the nature and economic characteristics of our business and provides meaningful disaggregation of our results of operations. Since we operate in one segment, all financial segment and product line information can be found in the condensed consolidated financial statements.

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1. Business and Summary of Significant Accounting Policies, continued

Practical Expedients and Exemptions

As part of our adoption of Accounting Standards Codification Topic (“ASC”) 606, Revenue from Contracts with Customers, the Company elected to use the following practical expedients: (i) not to adjust the promised amount of consideration for the effects of a significant financing component when the Company expects, at contract inception, that the period between our transfer of a promised product or service to a customer and when the customer pays for that product or service will be one year or less; (ii) to expense costs as incurred for costs to obtain a contract when the amortization period would have been one year or less; and (iii) not to assess whether promised goods or services are performance obligations if they are immaterial in the context of the contract with the customer.

In addition, the Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Stock-Based Compensation

The Company measures and recognizes the compensation expense for restricted stock units and restricted stock awards granted to employees and directors based on the fair value of the award on the grant date.

Restricted stock units give an employee an interest in Company stock but they have no tangible value until vesting is complete. Restricted stock units and restricted stock awards are equity classified and measured at the fair market value of the underlying stock at the grant date and recognized as expense over the related service or performance period. The Company elected to account for forfeitures as they occur. The fair value of stock awards is based on the quoted price of our common stock on the grant date. Compensation cost for restricted stock units and restricted stock awards is recognized using the straight-line method over the requisite service period.

Research and Development

Research and development costs are charged to operations as incurred and include salaries, consulting expenses and an allocation of facility costs.

Advertising Costs

Advertising costs are charged to sales and marketing expenses as incurred. Advertising costs for the three and six months ended June 30, 2025 were \$29,000 and \$175,000 respectively. Advertising costs for the three and six months ended June 30, 2024 were \$117,000 and \$264,000, respectively.

Comprehensive Loss

Comprehensive loss represents the changes in equity of an enterprise, other than those resulting from stockholder transactions. Accordingly, comprehensive loss may include certain changes in equity that are excluded from net loss. For the three and six months ended June 30, 2025 and 2024, the Company’s comprehensive loss is the same as its net loss.

Foreign Currency

The financial position and results of operations of the Company’s foreign operations are measured using currencies other than the U.S. dollar as their functional currencies. Accordingly, for these operations all assets and liabilities are translated into U.S. dollars at the current exchange rates as of the respective balance sheet date. Expense items are translated using the weighted average exchange rates prevailing during the period. Cumulative gains and losses from the translation of these operations’ financial statements are reported as a separate component of stockholders’ equity, while foreign currency transaction gains or losses, resulting from re-measuring local currency to the U.S. dollar are recorded in the condensed consolidated statement of operations in other income (expense), net and were not material for the three and six months ended June 30, 2025 and 2024.

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1. Business and Summary of Significant Accounting Policies, continued

Net Loss per Common Share

Basic and diluted net loss per common share is presented in conformity with the two-class method required for participating securities. The Company considers all series of convertible preferred stock to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the convertible preferred stock as the holders of the convertible preferred stock do not have a contractual obligation to share in the losses of the Company. Under the two-class method, net income would be attributed to common stockholders and participating securities based on their participation rights.

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per common share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares and potentially dilutive common share equivalents outstanding for the period determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per common share calculation, Series A 8% Senior Convertible Preferred Stock ("Series A Preferred Stock"), warrants exercisable for common stock, restricted stock units and shares issuable upon the conversion of convertible notes payable are considered to be potentially dilutive securities. Net loss is adjusted for any deemed dividends to preferred stockholders to compute income available to common stockholders.

For the six months ended June 30, 2025, warrants to purchase 31,232,173 shares of common stock, 12 shares underlying shares of restricted stock units, 1,200,000 shares underlying shares of restricted stock units issued under an inducement grant, 10,108,368 shares underlying restricted stock awards and 564,183 shares under two grants of restricted stock under inducement grants have been excluded from the calculation of net loss per common share because the inclusion would be antidilutive.

For the six months ended June 30, 2024, warrants to purchase 9,793,531 shares of common stock, 260,441 shares of restricted stock, 16 shares of restricted stock issued under an inducement grant and 14 shares underlying restricted stock units have been excluded from the calculation of net loss per common share because the inclusion would be antidilutive.

Income Taxes

Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. 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. The Company has recognized valuation allowances against its deferred tax assets as of June 30, 2025 and December 31, 2024. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company uses a comprehensive model for recognizing, measuring, presenting, and disclosing in the condensed consolidated financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more-likely-than-not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more-likely-than-not" test, no tax benefit is recorded. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. As of June 30, 2025 and December 31, 2024, the Company recognized no interest and penalties.

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1. Business and Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures” to help investors better understand an entity’s exposure to potential changes in jurisdictional tax legislation and the ensuing risks and opportunities. Furthermore, the update improves disclosures used to assess income tax information that affects cash flow forecasts and capital allocation decisions. The update is effective for public business entities for annual periods beginning after December 15, 2024, on a prospective basis but does not impact interim financial statements. The Company has adopted this standard as of January 1, 2025 and does not expect the adoption to have a material impact on its condensed consolidated financial statements.

Recently Issued and Not Yet Adopted Accounting Pronouncements

ASU 2024-04 Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments: The amendments in this Update are effective for all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of the annual reporting period for all entities that have adopted the amendments in Update 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

ASU 2024-03 Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses: The amendments in this Update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The interim effective date was amended by Update 2025-01 “*Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures: Clarifying the Effective Date*” (“ASU 2025-01”), clarifying the interim reporting date when an entity must adopt ASU 2024-03. According to ASU 2025-01, ASU 2024-03 is effective for interim periods within fiscal years beginning after December 15, 2027. The Company is currently evaluating the impact of the adoption of this standard on its condensed consolidated financial statements.

The Company has reviewed other recent accounting pronouncements and concluded they are either not applicable to the business, or no material effect is expected on the consolidated financial statements as a result of future adoption.

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2. Going Concern

The condensed consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. As of June 30, 2025, the Company had cash and cash equivalents of \$0.7 million and reported net cash used in operations of \$12.8 million during the six months ended June 30, 2025. The Company expects operating losses to continue in the foreseeable future because of additional costs and expenses related to research and development activities, plans to expand its product portfolio, and increase its market share. The Company's ability to attain profitable operations is dependent upon achieving a level of revenues adequate to support its cost structure.

Based on current operating levels, the Company will need to raise additional funds in the next 12 months by selling additional equity or incurring debt. To date, the Company has funded its operations primarily through sales of its securities in public and private markets, proceeds from the exercise of warrants to purchase common stock and the sale of convertible notes. Additionally, future capital requirements will depend on many factors, including the rate of revenue growth, the selling price of the Company's products, the expansion of sales and marketing activities, the timing and extent of spending on research and development efforts and the continuing market acceptance of the Company's products. These factors raise substantial doubt about the Company's ability to continue as a going concern for the twelve months from the date of this Report.

Management of the Company intends to raise additional funds through the issuance of equity securities or debt. There can be no assurance that, in the event the Company requires additional financing, such financing will be available at terms acceptable to the Company, if at all. Failure to generate sufficient cash flows from operations, raise additional capital and reduce discretionary spending could have a material adverse effect on the Company's ability to achieve its intended business objectives. As a result, the substantial doubt about the Company's ability to continue as a going concern has not been alleviated. The accompanying condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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3. Business Combination and Asset Purchase

On May 20, 2025, the Company completed its previously announced asset purchase of technology assets, customer contracts, trademarks, and other intellectual property (collectively, the “CSI Acquired Assets”) from CompuSystems, Inc. (“CSI”). At the closing (the “CSI Closing”), pursuant to an asset purchase agreement, by and between the Company and CSI, dated as of December 19, 2024, as amended by that certain amendment to the asset purchase agreement, dated as of December 30, 2024, and as further amended by that certain second amendment to the asset purchase agreement, dated as of February 25, 2025, and as further amended by that certain third amendment to the asset purchase agreement, dated March 31, 2025, and as further amended by that certain fourth amendment to the asset purchase agreement, dated May 14, 2025 (the “CSI Asset Purchase Agreement”), the Company acquired the CSI Acquired Assets for an aggregate purchase consideration of \$32.8 million consisting of (i) exclusivity fee of \$1.0 million paid in the fourth fiscal quarter of 2024 (the “Exclusivity Fee”), (ii) amount in cash of \$1.0 million paid to an escrow account in January 2025 (the “Escrow Amount”) (iii) an amount in cash equal to \$5.0 million, (iv) 10,600,000 validly issued, fully paid and nonassessable shares of restricted common stock of the Company, (the “Closing Stock Consideration”), (v) \$5.0 million payable in the form of the convertible note (the “Initial Convertible Note”) issued by the Company to CSI, (vi) \$5.0 million payable in the form of the convertible note (the “First Convertible Note”) issued by the Company to CSI, (vii) \$5.0 million payable in the form of convertible note (the “Second Convertible Note”, and together with the Initial Convertible Note and First Convertible Note, the “CSI Convertible Notes”) issued by the Company to CSI, (viii) \$500,000 for the reimbursement of fees incurred by CSI due to the acquisition, and (ix) the assumption of certain transferred liabilities, as described in the CSI Asset Purchase Agreement.

Pursuant to the CSI Asset Purchase Agreement, in connection with the CSI Closing, the Company issued the CSI Convertible Notes in an aggregate principal amount of \$15.0 million, each due on the second anniversary of the closing (the “Maturity Date”). For additional information on the CSI Convertible Notes, refer to Note 5, Borrowings.

The acquisition was accounted for under ASC 805, Business Combinations and uses preliminary purchase price allocations, with adjustments permitted within the measurement period (not exceeding one year). Adjustments beyond the measurement period are recorded in earnings.

A summary of the purchase consideration follows:

Cash	\$ 7,500
Closing Stock Consideration	10,282
Convertible Notes	9,718
Total purchase price consideration	<u>\$ 27,500</u>

Cash of \$7.5 million includes initial cash paid of \$1.0 million as Exclusivity Fee in December 2024, \$1.0 million Break up Fee paid in January 2025, and cash paid at closing in May 2025 amounting to \$5.5 million

The preliminary purchase price and purchase price allocation pending a final valuation of assets acquired and liabilities assumed follows:

Unbilled receivable	\$ 300
Inventory	163
Other assets	202
Equipment	275
Intangible assets	8,870
Goodwill	19,130
Accrued expenses	(99)
Loan for purchase of equipment	(141)
Deferred revenue	(1,200)
Total purchase consideration	<u>\$ 27,500</u>

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3. Business Combination and Asset Purchase, continued

The acquired intangible assets values were estimated using the discounted cash flow method and estimated discount rate. The useful lives are based on estimates of benefits derived from the future cash flows.

The acquired intangible assets, useful lives and a preliminary estimate of fair value at the acquisition date follows:

	Useful Life (years)	Fair Value
Tradename	10	\$ 900
Customer relationships	10	5,160
Internal use technology	4	2,810
Total		\$ 8,870

The results of operations of CSI are included in the unaudited condensed consolidated financial statements of the Company for the three and six months ended June 30, 2025 since the date of acquisition. The goodwill recorded in the CSI acquisition is not deductible for tax purposes. Transaction related expenses were \$186,000 and \$438,000 for the three and six months ended June 30, 2025 are included in general and administrative expenses in the unaudited condensed consolidated statements of operations.

EOS Asset Acquisition

On December 31, 2024, the Company completed its asset purchase of information technology assets, certain patents and trademarks (collectively, the “Acquired Assets”) from EOS Technology Holdings Inc. (“EOS Holdings”). At the closing (the “DV Closing”), pursuant to that asset purchase agreement, by and between the Company and EOS Holdings, dated as of September 4, 2024, and as amended on November 14, 2024, and as further amended from time to time (the “Asset Purchase Agreement”), the Company purchased the Acquired Assets for an aggregate purchase price of approximately \$92.0 million consisting of (i) \$10.0 million paid in the form of a promissory note issued by the Company to EOS Holdings (the “DV Convertible Note”), and (ii) 40,000,000 shares (the “DV Closing Stock Consideration”) of validly issued, fully paid and nonassessable shares of restricted common stock of the Company, with an aggregate fair value of approximately \$82.0 million based on the closing stock price of the Company on December 31, 2024. EOS Holdings is considered a related party as of the DV Closing. See Note 11 Related Parties for further details.

Second Asset Purchase Agreement Amendment

In connection with but prior to the DV Closing, on December 31, 2024, the Company and EOS entered into a second amendment to the Asset Purchase Agreement (the “Second Asset Purchase Agreement Amendment”). Pursuant to the Second Asset Purchase Agreement Amendment, among other things, the parties agreed to enter into an earnout agreement (the “Earnout Agreement”) instead of a royalty agreement as set forth in the Asset Purchase Agreement, and the parties agreed that EOS Holdings will only appoint one director at the DV Closing to the board of directors of the Company (the “Board”), and EOS Holdings will have the right to appoint one other director within ninety (90) days after the DV Closing. The parties also agreed that EOS Holdings will transfer at least eighty-one percent (81%) of the Closing Stock Consideration to its stockholders, and neither EOS Holdings nor any of its stockholders will own in excess of 19.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of the Closing Stock Consideration. Pursuant to the Second Asset Purchase Agreement Amendment, EOS Holdings agreed to file a Certificate of Amendment with the Secretary of State of the State of Delaware to change its company name, and the Company agreed to file a registration statement providing for the resale by EOS Holdings of the 3,999,911 shares of common stock issued as part of the Closing Stock Consideration. Pursuant to the Second Asset Purchase Agreement Amendment, the Company caused such registration statement to become effective prior to April 15, 2025. The Company and EOS Holdings further agreed that the Company may only amend, supplement or otherwise modify the transaction documents with approval of the disinterested members of the Board. The parties also updated the schedules describing the transferred assets and transferred liabilities.

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3. Business Combination and Asset Purchase, continued

Earnout Agreement

In connection with the DV Closing, the Company and EOS Holdings entered into the Earnout Agreement, dated as of December 31, 2024, pursuant to which the Company shall pay an amount equal to three percent (3%) of the gross revenue of the Company generated from or otherwise attributable to any patents and patent applications included in the Acquired Assets, subject to customary deductions calculated in accordance with U.S. GAAP, and as further set forth in the Earnout Agreement. The earnout period commenced on the DV Closing Date and will end upon the expiration of the last to expire of the patents included in the Acquired Assets (the “Term”). The Company shall make the earnout payments to EOS Holdings on a quarterly basis during the Term.

The Earnout Agreement includes customary covenants regarding how the Company can operate its business during the term of the Earnout Agreement.

The Earnout Agreement was not assigned a fair value at the purchase date as it was not deemed likely that any payments will be made as of December 31, 2024. There is no change as of June 30, 2025.

The Company accounted for the Asset Purchase Agreement as an asset purchase in accordance with ASC 805, Business Combinations (the “Screen Test”). As such, the aggregate consideration of approximately \$92.0 million plus capitalized fees of \$575,000 were recorded to the intangible assets acquired of patents and trademarks for \$2.4 million and \$90.1 million, respectively, with useful weighted average remaining lives of ten years in each case. For the three and six months ended June 30, 2025, the amortization expense related to intangible assets was approximately \$2.3 million and \$4.6 million, respectively.

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4. Balance Sheet Components

Inventories (in thousands):

	June 30, 2025	December 31, 2024
Raw materials	\$ 309	\$ 392
Work in progress	126	137
Finished goods	930	1,089
Total inventories	<u>\$ 1,365</u>	<u>\$ 1,618</u>

Property and equipment, net (in thousands):

	June 30, 2025	December 31, 2024
Machinery and equipment	\$ 1,094	\$ 773
Leasehold improvements	31	—
Furniture and fixtures	2	—
Tooling	14	14
	<u>1,141</u>	<u>787</u>
Less: Accumulated depreciation and amortization	(794)	(729)
Property and equipment, net	<u>\$ 347</u>	<u>\$ 58</u>

Depreciation and amortization expense for the three months ended June 30, 2025 and 2024 were approximately of \$26,000 and \$28,000, respectively. Depreciation and amortization expense for the six months ended June 30, 2025 and 2024 were approximately \$38,000 and \$48,000, respectively.

As of June 30, 2025, the future amortization of the intangibles acquired is as follows:

2025 remainder	\$ 5,289
2026	10,578
2027	10,578
2028	10,578
2029	10,147
2030	9,875
Thereafter	39,735
	<u>\$ 96,780</u>

Intangible assets, net consisted of the following at June 30, 2025.

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	\$ 90,304	\$ (4,515)	\$ 85,789
Trade names and trademarks	3,288	(130)	3,158
Customer relationships	5,160	(58)	5,102
Internal use technology	2,810	(79)	2,731
	<u>\$ 101,562</u>	<u>\$ (4,782)</u>	<u>\$ 96,780</u>

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4. Balance Sheet Components, continued

Notes receivable

On April 9, 2025, the Company advanced \$450,000 note receivable to NYIAX as part of the NYIAX transaction described in Note 10 Commitments and Contingencies. The Company derecognized the asset due to probability of non-payment and expensed to the line item research and development in the condensed consolidated statement of operations for the six months ended June 30, 2025.

On June 13, 2024, the Company entered into a Senior Secured Promissory Note and Security Agreement (“Promissory Note and Security Agreement”) with EOS Holdings (“the Borrower”). Pursuant to the Promissory Note and Security Agreement, the Company agreed to provide the Borrower with a term loan in the principal amount of \$150,000 (“June 2024 Note”). The June 2024 Note matures on October 11, 2024. Borrowings under the June 2024 Note bear interest at a rate per annum equal to 5.12%. On the maturity date, subject to any extension, the Borrower will be obligated to make a payment equal to all unpaid principal and accrued interest. On October 23, 2024, the Borrower and the Company agreed to amend the June 2024 Note maturity date to January 31, 2025. On December 31, 2024, the Borrower and the Company agreed to amend the December 2024 Note maturity date to the latter of the maturity date of the DV Convertible Note of December 31, 2027 or a qualified subsequent financing as determined by the DV Convertible Note agreement.

On August 7, 2024, the Company entered into a second Promissory Note and Security Agreement with the Borrower. Pursuant to the Promissory Note and Security Agreement, the Company agreed to provide the Borrower with a term loan in the principal amount of \$100,000 (“August 2024 Note”). The August 2024 Note matures on December 5, 2024. Borrowings under the August 2024 Note bear interest at a rate per annum equal to 5.12%. On the maturity date, subject to any extension, the Borrower will be obligated to make a payment equal to all unpaid principal and accrued interest. On October 23, 2024, the Borrower and the Company agreed to amend the August 2024 Note maturity date to January 31, 2025. On December 31, 2024, the Borrower and the Company agreed to amend the December 2024 Note maturity date to the latter of the maturity date of the DV Convertible Note of December 31, 2027 or a qualified subsequent financing as determined by the DV Convertible Note Promissory agreement.

On September 23, 2024, the Company entered into a third Promissory Note and Security Agreement with the Borrower. Pursuant to the Promissory Note and Security Agreement, the Company agreed to provide the Borrower with a term loan in the principal amount of \$73,485 (the “September 2024 Note”). The September 2024 Note matures on December 5, 2024. Borrowings under the September 2024 Note bear interest at a rate per annum equal to 5.12%. On the maturity date, subject to any extension, the Borrower will be obligated to make a payment equal to all unpaid principal and accrued interest. On October 23, 2024, the Borrower and the Company agreed to amend the September 2024 Note maturity date to January 31, 2025. On December 31, 2024, the Borrower and the Company agreed to amend the December 2024 Note maturity date to the latter of the maturity date of the DV Convertible Note of December 31, 2027 or a qualified subsequent financing as determined by the DV Convertible Note Promissory agreement.

On December 23, 2024, the Company entered into a fourth Promissory Note and Security Agreement with the Borrower. Pursuant to the Promissory Note and Security Agreement, the Company agreed to provide the Borrower with a term loan in the principal amount of \$100,000 (“December 2024 Note”). The December 2024 Note matures on January 31, 2025. Borrowings under the December 2024 Note bear interest at a rate per annum equal to 5.12%. On the maturity date, subject to any extension, the Borrower will be obligated to make a payment equal to all unpaid principal and accrued interest. On December 31, 2024, the Borrower and the Company agreed to amend the December 2024 Note maturity date to the latter of the maturity date of the DV Convertible Note of December 31, 2027 or a qualified subsequent financing as determined by the DV Convertible Note Promissory agreement.

The above notes receivable are netted on the condensed consolidated balance sheet in “convertible note payable, net related party” as of June 30, 2025 as there is a right of offset included in the DV Convertible Note and the four amended note receivable agreements above. On February 14, 2025, \$136,000 was paid off as a result of the February 2025 Offering (defined below) in which a portion of proceeds in the 2025 Offering (defined below) were used to satisfy principal on the EOS note receivables. The proceeds from the financings in April 2025 and May 2025 (See Note 5 for details on the 2025 Offerings) were netted with the note receivable balance in the three months ended June 30, 2025 and as a result the balance is no longer outstanding as of June 30, 2025.

At June 30, 2025, the Company had recognized approximately \$5,000 of interest income on the Notes Receivable.

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4. Balance Sheet Components, continued

Deposits for Business Combination

On December 19, 2024 the Company entered into an asset purchase agreement with CompuSystems Inc (“CSI”) as amended on December 30, 2024, February 25, 2025 and March 31, 2025 (the “CSI Purchase Agreement”) where the Company agreed to purchase, assume and accept from CSI all of the rights, title and interests used in the acquired business, and products and services solely to the extent they utilize the transferred assets, including CSI’s customer contracts, trademarks and other intellectual property (the “CSI Acquisition”). Pursuant to the CSI Purchase Agreement, the Company made an exclusivity deposit and a break-up fee deposit totaling \$2.0 million. The acquisition was completed on May 20, 2025 and thus the acquisition deposits are recorded as part of purchase consideration in note 3.

Accrued liabilities (in thousands):

	June 30, 2025	December 31, 2024
Customer advance	\$ 1,004	\$ 171
Accrued compensation	525	217
Accrued lease liability, current portion	115	106
Accrued vacation	404	407
Accrued audit fees	249	224
Accrued payable to NYIAX	1,088	—
Accrued other	357	209
Total accrued liabilities	<u>\$ 3,742</u>	<u>\$ 1,334</u>

5. Borrowings

January 2024 Short-Term Loan Agreement

On January 19, 2024, the Company issued promissory notes in the aggregate principal amount of \$1,000,000 (the “January 2024 Promissory Notes”) and common stock purchase warrants to purchase up to an aggregate of 66,665 shares (the “January 2024 Warrant Shares”) of the Company’s common stock, at an initial exercise price of \$22.23 per share with four accredited investors (each an “Investor” and together the “Investors”). In connection with the January 2024 Promissory Notes, the Company received gross proceeds of \$600,000, before fees and other expenses associated with the transaction.

The January 2024 Promissory Note was to mature on the earlier to occur of: (i) July 17, 2024 and (ii) the full or partial exercise of certain Series B Preferred Stock purchase warrants currently held by the Investor, issuable for at least 9,322 shares of the Company’s Series B Convertible Preferred Stock, par value \$0.0001 per share (“Series B Preferred Stock”), upon such full or partial exercise.

The January 2024 Promissory Notes did not bear interest except upon the occurrence of an Event of Default (as defined in the January 2024 Promissory Notes). The January 2024 Promissory Notes were not convertible into shares of common stock or Series B Preferred Stock.

Between the dates of January 26, 2024 and February 2, 2024, the January 2024 Promissory Notes were repaid in full following the exercise of certain of the Company’s Series B Preferred Stock purchase warrants for a total of 29,322 shares of Series B Preferred Stock. The 2024 Promissory Notes were settled via the payment of \$667,000 in cash and a \$333,000 offset to the amount due by one of the investors from the exercise of 9,322 Series B Preferred Stock purchase warrants.

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5. Borrowings, continued

In connection with the issuance of the January 2024 Warrant Shares (see Note 6 – Fair Value Measurements), the fair value of the warrants and the original issue discount for interest were recorded as debt discounts totaling \$1,260,000. The debt discounts were to be amortized to interest expense over the respective term using the effective interest method. In connection with the full repayment of the January 2024 Promissory Notes, the Company recognized \$1,260,000 of interest expense in the six months ended June 30, 2024.

DV Convertible Note

In connection with the DV Closing, the Company issued the DV Convertible Note in a principal amount of \$10,000,000 due on the third anniversary of the DV Closing on December 31, 2027. The Company agreed to pay interest to EOS Holdings on the aggregate unconverted and then outstanding principal amount of the note at the rate of five and twelve hundredths percent (5.12%) per annum, accruing from the DV Closing.

The DV Convertible Note can be converted at EOS Holding's option, partially or entirely, into shares of common stock, any time after the maturity date until the DV Convertible Note is fully paid off. The DV Convertible Note uses a conversion price equaling to seventy-five percent (75%) of the average VWAP (as defined in the DV Convertible Note) during the ten (10) consecutive trading days ending on the trading day that is immediately prior to the conversion date subject to a floor price of \$1.116 per share. At EOS Holding's sole discretion, upon a change of control (as defined in the DV Convertible Note), the Company shall (i) cause any successor entity to assume in writing all of the obligations of the Company under the DV Convertible Note, (ii) pay or cause to be paid to EOS Holdings the Note Balance (defined below) in cash, or (iii) pay, at the closing of such change of control, in full satisfaction of the Company's obligations under the DV Convertible Note, an amount in cash or equivalent common stock to the amount EOS Holdings would have been paid if it had converted its Note Balance into shares of common stock immediately prior to such closing, at the conversion price.

The parties agreed that the Company may apply up to 25% of the amount of any payment to be made to EOS Holdings pursuant to the DV Convertible Note towards satisfaction of the amount, if any, owed by EOS Holdings to the Company under those certain senior secured promissory notes, dated June 13, 2024, August 7, 2024, September 23, 2024, and December 23, 2024 (collectively, the "Secured Notes" and the outstanding amount under the Secured Notes, collectively, the "DV Holdings Note Balance"). The Note Balance on the maturity date will be automatically reduced by the amount of the DV Holdings Note Balance.

Pursuant to the DV Convertible Note, if, at any time while the DV Convertible Note is outstanding, the Company enters into any capital raising or financing transaction, including without limitation any issuance by the Company of shares of common stock or common stock equivalents (as defined in the DV Convertible Note) for cash consideration, indebtedness or a combination of units thereof (each, a "Subsequent Financing"), then the Company shall first pay to EOS Holdings at least 10% of the gross proceeds of such Subsequent Financing to redeem all or a portion of the DV Convertible Note, plus accrued but unpaid interest, plus liquidated damages, if any, and any other amounts then owing to EOS Holdings. If the aggregate gross proceeds of Subsequent Financings reach or exceed \$50.0 million, then the Company shall repay the DV Convertible Note in full, including accrued but unpaid interest, liquidated damages, if any, and any other amounts, then owing to EOS Holdings.

The DV Convertible Note includes customary event of default provisions. Upon the occurrence of an event of default, the DV Convertible Note and all amounts due thereunder shall become, upon demand by EOS Holdings, immediately due and payable in cash. Additionally, upon the occurrence of an event of default, interest shall accrue daily at the rate of ten percent (10%) per annum on the aggregate outstanding principal balance and any other amounts then owing by Company to EOS Holdings.

The Company elected the fair value method for the DV Convertible Note outstanding of \$10.0 million as of December 31, 2024 due to the embedded derivatives identified within the agreement requiring recurring fair value measurements. The note is valued using level 3 inputs. See Note 6, Fair Value Measurements for further information on inputs.

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5. Borrowings, continued

On February 14, 2025, the Company paid a portion of principal and interest of \$406,000, net, as a result of the February 2025 Public Offering (defined below in Note 7). On April 2, 2025 and May 20, 2025 in connection with the 2025 Notes financing, the Company paid an aggregate of \$675,000 in principal balance and the balance as of June 30, 2025 and December 31, 2024 was \$8.8 million and 10.0 million. The fair value was \$7.3 million as of June 30, 2025. See Note 6 fair value measurements for further disclosures.

The DV Convertible Note was netted with the notes receivable from EOS Holdings in “convertible note payable, net, related party” on the condensed consolidated balance sheets as of December 31, 2024 as EOS Holdings agreed to offset the outstanding balance on the DV Convertible Note with the notes receivable at maturity or at a qualifying capital raising or financing transaction noted above. The notes receivable from EOS Holdings was fully paid off in the three months ended June 30, 2025 due to the financing activity noted above.

Securities Purchase Agreement

On April 3, 2025, the Company completed the initial closing of its previously announced transaction (the “April 2025 Offerings”) in which, pursuant to a securities purchase agreement (the “April 2025 Purchase Agreement”) between the Company and certain institutional investors (the “April 2025 Purchasers”), dated March 31, 2025, the April 2025 Purchasers agreed to purchase from the Company (a) in a registered direct offering, senior secured convertible notes having an aggregate principal amount of \$5.5 million (the “Initial Notes”) for an aggregate purchase price of \$5.0 million and senior secured convertible notes having an aggregate principal amount of \$11.1 million (the “Additional Notes”, and together with the Initial Notes, the (“2025 Notes”) for an aggregate purchase price of \$10.0 million upon satisfaction of certain closing conditions applicable to the Initial Notes and Additional Notes, respectively and (b) in a concurrent private placement, common stock purchase warrants (“2025 Warrants”) to purchase up to 19,346,101 shares of common stock of the Company, of which warrants to purchase up to 6,448,700 shares of common stock were issued in connection with the issuance of the Initial Notes (the “April 2025 Initial Warrants”) and warrants to purchase up to 12,897,401 shares of common stock will be issued in connection with the issuance of the Additional Notes (the “Additional Warrants”). The warrants meet the equity classification guidance. See note 7 for additional information.

The closing of the Additional Notes and Additional Warrants (the “Additional Closing,” and together with the initial closing, the “2025 Closings”) took place on May 20, 2025. The Company received stockholders approval of the issuance of the shares of common stock issuable upon conversion of the 2025 Notes and exercise of the 2025 Warrants and a one-time reset, at the Company’s option, of the exercise price of outstanding common stock purchase warrants held by the April 2025 Purchasers that do not contain “alternative cashless exercise” features (“Stockholder Approval”).

Pursuant to the April 2025 Purchase Agreement, until the date that is 18 months after the date on which the 2025 Notes are no longer outstanding, the April 2025 Purchasers have the right, but not the obligation, to participate in any issuance by the Company of any debt, preferred stock, shares of common stock or securities convertible into shares of common stock (a “Subsequent Financing”) up to a maximum of 65% of such Subsequent Financing on the same terms, conditions and price provided to other investors in such Subsequent Financing.

2025 Convertible Notes

The 2025 Notes carry a 10% original issue discount, and mature 18 months from the date of issuance. No interest accrues during the term of the 2025 Notes, unless an event of default occurs, in which case interest will accrue at a rate of 12% per annum. The obligations under these 2025 Notes rank senior to all other existing indebtedness and equity of the Company. The 2025 Notes are convertible into shares of the Company’s common stock at any time at the option of the holders thereof, in whole or in part, into such number of shares of common stock (the “Conversion Shares”) at an initial conversion price equal to \$1.00 per share (the “Conversion Price”). Alternatively, the Notes are convertible at a price (the “Alternate Conversion Price”) equal to the greater of (x) the Floor Price (as defined below) and (y) 90% of the lowest volume weighted adjusted price of the shares of Common Stock (the “VWAP”) in the ten (10) trading days prior to the applicable conversion date (“Alternate Conversions”).

The conversion price of the 2025 Notes is subject to a floor price of \$0.1794 (the “Floor Price”).

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5. Borrowings, continued

In the event the Alternate Conversion Price would be lower than the Floor Price, the Company is required to compensate the holders of the 2025 Notes by paying the holders in cash an amount (the “Alternate Conversion Floor Amount”) equal to the product obtained by multiplying (A) the VWAP on the day the holder delivers the applicable conversion notice and (B) the difference obtained by subtracting (I) the number of shares of common stock delivered (or to be delivered) to the holder on the applicable share delivery date with respect to such Alternate Conversion from (II) the quotient obtained by dividing (x) the applicable conversion amount that the holder has elected to be the subject of the applicable Alternate Conversion, by (y) the applicable Alternate Conversion Price without being limited by the Floor Price.

Under the 2025 Notes, the Company is required to use up to 30% of the proceeds from future financings to redeem the 2025 Notes in an amount equal to the aggregate principal amount of the 2025 Notes being redeemed from such proceeds multiplied by 105%. The 2025 Notes contain 4.99/9.99% beneficial ownership limitations and customary provisions regarding events of defaults and negative covenants.

The Company elected the fair value option to account for the 2025 Notes. The fair value on issuance of the 2025 Notes was \$23.2 million which exceeded the proceeds of \$13.7 million by \$9.5 million for which the Company recorded a day one loss. The financing terms were deemed reasonable due to the Company’s liquidity position. Accordingly, the Company recorded in interest expense a charge of \$6.5 million to mark the 2025 Notes to fair value in the condensed consolidated statement of operations. The original issue discount of \$1.7 million and fees of \$1.3 million were expensed in interest expense in the condensed consolidated statement of operations for the three and six months ended June 30, 2025. In the three months ended June 30, 2025, the 2025 Notes were partially converted for 1,111,111 principal and 1,845,945 shares of common stock in cashless conversions. The fair value of the 2025 Notes converted was \$1.6 million and was recorded to additional paid in capital on the condensed consolidated balance sheets and was estimated using inputs of the level 3 hierarchy. The fair value of the 2025 Notes at June 30, 2025 was \$21.0 million also estimated using inputs from the level 3 hierarchy. See Note 6 fair value measurements for further disclosures.

Security Agreement and Guarantee

In connection with the initial closing on April 3, 2025, the Company entered into (i) a security agreement (the “Security Agreement”), which grants to the holders of the Notes a security interest in all of the assets of the Company, and (ii) a subsidiary guarantee (the “Subsidiary Guarantee”), pursuant to which all domestic subsidiaries of the Company have guaranteed the Company’s obligations under the Notes.

Placement Agency Agreement

As previously announced, in connection with the April 2025 Offerings, the Company entered into a placement agency agreement (the “April 2025 Placement Agency Agreement”) with Maxim Group LLC (the “Placement Agent”) on March 31, 2025, pursuant to which the Placement Agent agreed to act as placement agent on a “reasonable best efforts” basis in connection with the April 2025 Offerings. Pursuant to the April 2025 Placement Agency Agreement and in connection with initial closing, the Company paid the Placement Agent an aggregate fee equal to 8.0% of the gross proceeds raised at the initial closing and reimbursed the Placement Agent an amount up to \$15,000 for expenses in connection with the Offerings.

In addition to similar rights previously granted to the Placement Agent, pursuant to the Placement Agency Agreement, the Company granted the Placement Agent a right of first refusal for a period of 30 days from August 22, 2025 to provide investment banking services to the Company on an exclusive basis, exercisable in the Placement Agent’s discretion. Under the Placement Agency Agreement, for a period of nine (9) months from the Initial Closing, the Company will pay the Placement Agent a cash fee equal to 7.0% of the gross proceeds of any capital raising activity received by the Company from the Purchasers in the Offerings.

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5. Borrowings, continued

CSI Convertible Notes

In connection with the CSI Asset Purchase Agreement, the Company issued the CSI Convertible Notes in an aggregate principal amount of \$15.0 million, each due on the second anniversary of the closing (the “Maturity Date”). The Company agreed to pay interest to CSI on the aggregate unconverted and then outstanding principal amount of the First Convertible Note and Second Convertible Note at the rate of five percent (5%) per annum, and on the aggregate unconverted and then outstanding principal amount of the Initial Convertible Note at the rate of ten percent (10%) per annum. The Company agreed to pay interest accruing from the six-month anniversary of the closing on the First Convertible Note and from the nine-month anniversary of the closing on the Second Convertible Note on the unpaid balance of such principal amount no less frequently than quarterly per calendar quarter. The payment of the accrued interest shall occur on the last business day of each calendar quarter.

If the Initial Convertible Note has not been satisfied in full within three (3) months after the Closing Date, then at CSI’s option, it shall be convertible to shares of common stock, in increments of \$500,000, at a price of \$1.14 per share. The Company shall also repay the principal amount and all accrued interest under the Initial Convertible Note in full, without a penalty, within three (3) business days after the Company raises an additional amount of capital totaling at least \$15.0 million.

The First Convertible Note can be converted, partially or entirely, into shares of common stock, any time after the six-month anniversary of the closing until the First Convertible Note is fully paid off. The Second Convertible Note can be converted, partially or entirely, into shares of common stock, any time after the nine-month anniversary of the closing until the Second Convertible Note is fully paid off. The First Convertible Note and Second Convertible Note use a conversion price equaling to the average VWAP during the thirty (30) consecutive trading days ending on the trading day that is immediately prior to the conversion date subject to a floor price of \$1.40 per share and ceiling price of \$2.50 per share (the “Conversion Price”). The entire outstanding principal and accrued interest shall automatically be converted into shares of common stock on the Maturity Date at the Conversion Price.

The Company evaluated the agreement under ASC 815 Derivatives and Hedging (“ASC 815”). ASC 815 generally requires the analysis embedded terms and features that have characteristics of derivatives to be evaluated for bifurcation and separate accounting in instances where their economic risks and characteristics are not clearly and closely related to the risks of the host contract. None of the embedded terms required bifurcation and liability classification. The CSI Convertible Notes were measured at fair value at issuance of aggregate of \$9.7 million. Refer to Note 3 for more details. The CSI Convertible Notes carrying value at June 30, 2025 was \$10.1 million, net of a discount of \$5.1 million. Discount accretion of \$0.2 million was recorded in the three and six months ended June 30, 2025.

6. Fair Value Measurements

The Company measures the fair value of financial instruments using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Each level of input has different levels of subjectivity and difficulty involved in determining fair value.

- Level 1 – Inputs used to measure fair value are unadjusted quoted prices that are available in active markets for the identical assets or liabilities as of the reporting date. Therefore, determining fair value for Level 1 investments generally does not require significant judgment, and the estimation is not difficult.
- Level 2 – Pricing is provided by third-party sources of market information obtained through investment advisors. The Company does not adjust for or apply any additional assumptions or estimates to the pricing information received from its advisors.

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6. Fair Value Measurements, continued

- Level 3 – Inputs used to measure fair value are unobservable inputs that are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions. The determination of fair value for Level 3 instruments involves the most management judgment and subjectivity. The Company's financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2025 and December 31, 2024 by level within the fair value hierarchy, are as follows:

(in thousands)	June 30, 2025		
	Quoted prices in active markets	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
Liabilities:			
Convertible note payable	\$ —	\$ —	\$ 28,329
Warrant liabilities	\$ —	\$ —	\$ 9

A summary of quantitative information about significant unobservable inputs (Level 3 inputs) used in measuring the Company's 2025 Notes that are categorized within Level 3 of the fair value hierarchy as of June 30, 2025 is as follows:

Inputs	June 30, 2025	Initial valuation
Stock price	0.67	\$0.740
Conversion price	\$1.00 - \$0.179	\$1.00 - \$0.179
Conversion discount	90%	90%
Volatility (annual)	101.71% - 185.14%	91.15% - 183.12%
Risk-free rate	3.82% - 4.19%	4.9% - 4.12%
Dividend rate	—	—
Years to maturity	.09 - 1.27	0.33 - 1.51
Estimated future financing amount	\$25 million	\$25 million
Discount rate	18.76%	14.46%

A summary of quantitative information about significant unobservable inputs (Level 3 inputs) used in measuring the Company's DV Note that are categorized within Level 3 of the fair value hierarchy as of June 30, 2025 is as follows:

Inputs	June 30, 2025
Stock price	0.67
Conversion price	\$1.12
Volatility (annual)	170.84%
Risk-free rate	3.63%
Dividend rate	—
Years to maturity	2.5
Estimated future financing amount	\$25 million
Discount rate	18.13%

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6. Fair Value Measurements, continued

(in thousands)

	December 31, 2024		
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:			
Convertible note payable	\$ —	\$ —	\$ 10,000
Warrant liabilities	\$ —	\$ —	\$ 664

There were no transfers between Level 1, 2 or 3 during the three and six months ended June 30, 2025 or 2024.

Warrant Liabilities

On March 26, 2024, the Company amended the terms of certain warrant agreements to remove certain exercise price reset, right to reprice and/or share adjustment provisions (“Reset Provisions”) following a reverse split, in addition to other revisions to the warrants. In April 2024, the Company effected the April 2024 Reverse Stock Split thereby removing the Reset Provisions (“Reset Amendment Effective Date”) and in accordance with provisions in certain of the warrants issued warrants to purchase an additional 5,602,693 shares of common stock. Accordingly, the Company remeasured the warrant liability for each of the amended warrants following the Reset Amendment Effective Date and recorded that amount to change in fair value of warrant liabilities with a corresponding increase to warrant liabilities. Following the Reset Amendment Effective Date, such warrants were no longer deemed to be liability warrants but were now classified as equity warrants. In connection with this reclassification the Company reclassified approximately \$41.9 million from warrant liabilities to additional paid in capital.

The following table includes a summary of changes in fair value of the Company’s warrant liabilities measured at fair value using significant unobservable inputs (Level 3) as of June 30, 2025 and 2024. For June 30, 2025, the fair value of the common warrants was determined using the Black-Scholes Model based on the following key inputs and assumptions: common stock price of \$0.67; exercise price of \$3.20 to \$1,574; expected yield of 0.0%; expected volatility of 162.8%; risk-free interest rate of 3.68% and expected life of 2.4 to 2.59 years.

(in thousands)	For the six months ended June 30,	
	2025	2024
Beginning balance	\$ 664	\$ 5,460
Additions	—	8,701
Change in fair value	(19)	29,126
Exercise of warrant liabilities	—	(587)
Repurchase	(621)	(824)
Conversion of liability warrants to equity warrants	(15)	(41,851)
Ending balance	\$ 9	\$ 25

The changes in fair value of the warrant liabilities are recorded in change in fair value of warrant liabilities in the condensed consolidated statements of operations.

Convertible Notes

As described in Note 5, the Company elected the fair value option on the DV Convertible Note issued on December 31, 2024. The Company uses level 3 inputs to measure the fair value in subsequent periods. The Company recorded a \$1.4 million gain on the DV Convertible Note for the six months ended June 30, 2025.

As described in Note 5, the Company elected the fair value option on the 2025 Convertible Notes issued in the three months ended June 30, 2025 and recorded a net loss of \$8.8 million. The Company uses level 3 inputs to measure the fair value in subsequent periods.

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6. Fair Value Measurements, continued

The following table includes a summary of changes in fair value of the Company's convertible notes.

(in thousands)	For the six months ended June 30,	
	2025	2024
Beginning balance	\$ 10,000	\$ —
Additions	13,942	—
Change in fair value recorded in interest expense	7,456	—
Payment on DV note	(1,524)	—
Conversion of 10% notes	(1,545)	—
Ending balance	\$ 28,329	\$ —

7. Convertible Redeemable Preferred Stock and Stockholders' Equity

February 2024 Series B Preferred Stock and Series B Preferred Stock Warrants Repurchase

On February 13, 2024, the Company and its Series B Preferred Stock and Series B Preferred Stock Warrants holders entered into an arrangement where the Company agreed to repurchase 62,657 Series B Preferred Stock shares and 81,315 Series B Preferred Stock warrants for a total of \$6.3 million. Unamortized discounts to the Series B Preferred Stock of \$5.4 million were immediately recorded as a deemed dividend as of repurchase date. The remaining fair value of the Series B Preferred Stock Warrant Liability of \$824,000 was adjusted against additional paid-in-capital on repurchase date.

Other Deemed Dividends

The total of deemed dividends (as discussed in this section, the Conversion of Series B Preferred Stock and February 2024 Series B Preferred Stock and Series B Preferred Stock Warrants Repurchase sections above) amounted to \$5.8 million for the year ended December 31, 2024 and was recorded as an adjustment to net loss available to common stockholders on the Company's consolidated statement of operations.

Common Stock

February 2024 Issuance of Common Stock and Pre-Funded Common Stock Warrants

On February 13, 2024, the Company consummated a public offering (the "February 2024 Public Offering") of 158,227 units (the "February Units") and 867,373 pre-funded units (the "February Pre-Funded Units"). Each February Unit was issued at \$9.75 per unit and included one share of common stock and one common stock warrant (the "February Common Warrants") exercisable for one share of common stock at a \$9.75 exercise price. Each February Pre-Funded Unit was issued at \$9.735 per unit and included one pre-funded common stock warrant (the "February Pre-Funded Warrants"), exercisable for one share of common stock at an initial exercise price of \$0.015 and one February Common Warrant. The gross proceeds from the issuance of the February Units and the February Pre-Funded Units were \$1.5 million and \$8.4 million, respectively, for total aggregate proceeds of \$10.0 million before broker fees and related expenses of approximately \$998,000. As a result of certain price protection clauses, the February Common Warrants did not meet the criteria for equity classification and thus are subject to liability treatment. Accordingly, of the \$10 million gross proceeds from the February 2024 Public Offering, an amount of \$6.3 million, representing the fair value of the February Common Warrants as of the issuance date was allocated to the February Common Warrants liability, with the residual proceeds of \$3.7 million allocated to the common stock and February Pre-Funded Warrants, which met the criteria for equity classification.

Of the gross broker fees and related expenses of approximately \$998,000, the Company allocated \$368,000 to the issued common stock and February Pre-Funded Warrants, which were recorded as a reduction of additional paid-in-capital. The remaining issuance cost of \$630,000 was allocated to the February Common Warrants and was expensed on the date of issuance as such warrants were recorded at fair value.

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7. Convertible Redeemable Preferred Stock and Stockholders' Equity, continued

March 2024 Issuance of Common Stock, Prefunded Common Stock Warrants and Common Stock Warrants

On March 26, 2024, the Company entered into a Securities Purchase Agreement with certain purchasers where the Company issued 417,833 shares of common stock, 93,342 pre-funded common stock warrants (the "March Pre-Funded Warrants") and common stock warrants (the "March Common Warrants") to purchase up to 511,175 shares of common stock at an initial exercise price of \$6.00 per share (known in aggregate as the "March 2024 Offering"). Total proceeds per the Securities Purchase Agreement amounted to \$2.3 million before broker fees and other related expenses of approximately \$388,000. As a result of certain price protection clauses, the March Common Warrants did not meet the criteria for equity classification and thus are subject to liability treatment. Accordingly, of the \$2.3 million gross proceeds from the March public offering, an amount of \$1.2 million, representing the fair value of the March Common Warrants as of the issuance date was allocated to the March Common Warrants liability, with the residual proceeds of \$1.1 million allocated to the common stock and March Pre-Funded Warrants, which met the criteria for equity classification.

Of the gross broker fees and related expenses of approximately \$388,000, the Company allocated \$181,000 to the issued common stock and the March Pre-Funded Warrants, which were recorded as a reduction of additional paid-in-capital. The remaining issuance cost of \$207,000 was allocated to the March Common Warrants and was expensed on the date of issuance as such warrants were recorded at fair value.

April 2024 Issuances of Common Stock and Common Stock Warrants

On April 17, 2024, the Company entered into a securities purchase agreement with certain accredited investors, pursuant to which the Company agreed to issue and sell to such investors (i) in a registered direct offering, 225,834 shares of common stock at \$3.321 per share, and (ii) in a concurrent private placement, common stock purchase warrants exercisable for an aggregate of up to 225,834 shares of common stock, at an initial exercise price of \$3.196 per share (the "Initial April 2024 Registered Direct Offering and Concurrent Private Placement"). The Initial 2024 Registered Direct Offering and Concurrent Private Placement closed on April 19, 2024 and the Company received gross proceeds of approximately \$750,000 before deducting placement agent fees and other offering expenses of approximately \$159,000.

On April 19, 2024, the Company entered into a securities purchase agreement with certain accredited investors, pursuant to which the Company agreed to issue and sell to such investors (i) in a registered direct offering, 361,904 shares of common stock at \$5.25 per share, and (ii) in a concurrent private placement, common stock purchase warrants exercisable for an aggregate of up to 542,856 shares of common stock, at an initial exercise price of \$5.06 per share (the "Second April 2024 Registered Direct Offering and Concurrent Private Placement"). The Second 2024 Registered Direct Offering and Concurrent Private Placement closed on April 23, 2024 and the Company received gross proceeds of approximately \$1.9 million before deducting placement agent fees and other offering expenses of approximately \$268,000.

On April 26, 2024, the Company entered into a securities purchase agreement with certain accredited investors, pursuant to which the Company agreed to issue and sell to such investors (i) in a registered direct offering, 418,845 shares of common stock at \$5.73 per share, and (ii) in a concurrent private placement, common stock purchase warrants exercisable for an aggregate of up to 418,845 shares of common stock, at an initial exercise price of \$5.60 per share (the "Third April 2024 Registered Direct Offering and Concurrent Private Placement"). The Third 2024 Registered Direct Offering and Concurrent Private Placement closed on April 30, 2024 and the Company received gross proceeds of approximately \$2.4 million before deducting placement agent fees and other offering expenses of approximately \$298,000.

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7. Convertible Redeemable Preferred Stock and Stockholders' Equity, continued

May 2024 Issuances of Common Stock and Common Stock Warrants

On May 13, 2024, the Company entered into a securities purchase agreement with certain accredited investors, pursuant to which the Company agreed to issue and sell to such investors (i) in a registered direct offering, 785,000 shares of common stock at \$3.31 per share, and (ii) in a concurrent private placement, common stock purchase warrants exercisable for an aggregate of up to 785,000 shares of common stock, at an initial exercise price of \$3.18 per share (the "Initial May 2024 Registered Direct Offering and Concurrent Private Placement"). The Initial May 2024 Registered Direct Offering and Concurrent Private Placement closed on May 15, 2024 and the Company received gross proceeds of approximately \$2.6 million before deducting placement agent fees and other offering expenses of approximately \$314,000.

On May 15, 2024, the Company entered into a securities purchase agreement with certain accredited investors, pursuant to which the Company agreed to issue and sell to such investors (i) in a registered direct offering, 675,000 shares of common stock at \$3.61 per share, and (ii) in a concurrent private placement, common stock purchase warrants exercisable for an aggregate of up to 675,000 shares of common stock, at an initial exercise price of \$3.48 per share (the "Second May 2024 Registered Direct Offering and Concurrent Private Placement"). The Second May 2024 Registered Direct Offering and Concurrent Private Placement closed on May 17, 2024 and the Company received gross proceeds of approximately \$2.4 million before deducting placement agent fees and other offering expenses of approximately \$290,000.

For the three months ended June 30, 2024, the Company's board of directors approved the issuance of a total of 136,203 shares of common stock to two vendors for investor relations services. The fair value of such common shares was calculated to be \$360,000 and was recorded to other assets and additional paid in capital. The fair value of such shares will be amortized over the service period of each agreement which ranged from 6 months to 12 months. The shares of common stock will be issued in July 2024.

Warrants for Common Shares

A summary of the warrant activity and related information for the three and six months ended June 30, 2025 and 2024 is provided as follows.

In connection with the January 2024 Promissory Notes, the Company issued common stock purchase warrants to investors to purchase up to 66,665 shares of the Company's common stock, at an initial exercise price of \$22.23 per share. The grant date fair value of such warrant was \$860,000, which was recorded as a liability with the offset recorded to additional paid-in capital on the consolidated balance sheets. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$15.99; expected yield of 0.0%; expected volatility of 119%; risk-free interest rate of 4.31% and expected life of 5 years.

In connection with the February 2024 Public Offering, the Company issued common stock purchase warrants to investors to purchase up to 1,025,600 shares of the Company's common stock, at an initial exercise price of \$9.75 per share. The grant date fair value of such warrant was \$6,308,000, which was recorded as a liability with the offset recorded to additional paid-in capital on the consolidated balance sheets. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$7.62; expected yield of 0.0%; expected volatility of 119%; risk-free interest rate of 4.31% and expected life of 5 years.

In connection with the March 2024 Offering, the Company issued common stock purchase warrants to investors to purchase up to 511,175 shares of the Company's common stock, at an initial exercise price of \$6.00 per share. The grant date fair value of such warrant was \$1,227,000, which was recorded as a liability with the offset recorded to additional paid-in capital on the consolidated balance sheets. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$3.18; expected yield of 0.0%; expected volatility of 119%; risk-free interest rate of 4.21% and expected life of 5 years.

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7. Convertible Redeemable Preferred Stock and Stockholders' Equity, continued

In connection with the Initial April 2024 Registered Direct Offering and Concurrent Private Placement, the Company issued Common Stock Purchase Warrants to investors to purchase up to 225,834 shares of the Company's common stock, at an initial exercise price of \$3.196 per share. The grant date fair value of such warrant was \$1,255,000, which was recorded as equity. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$6.06; expected yield of 0.0%; expected volatility of 135%; risk-free interest rate of 4.63% and expected life of 5 years.

In connection with the Second April 2024 Registered Direct Offering and Concurrent Private Placement, the Company issued Common Stock Purchase Warrants to investors to purchase up to 542,856 shares of the Company's common stock, at an initial exercise price of \$5.06 per share. The grant date fair value of such warrant was \$2,595,000, which was recorded as equity. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$5.39; expected yield of 0.0%; expected volatility of 135%; risk-free interest rate of 4.63% and expected life of 5 years.

In connection with the Third April 2024 Registered Direct Offering and Concurrent Private Placement, the Company issued Common Stock Purchase Warrants to investors to purchase up to 418,845 shares of the Company's common stock, at an initial exercise price of \$5.60 per share. The grant date fair value of such warrant was \$2,048,000, which was recorded as equity. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$5.54; expected yield of 0.0%; expected volatility of 135%; risk-free interest rate of 4.63% and expected life of 5 years.

In connection with the Initial May 2024 Registered Direct Offering and Concurrent Private Placement, the Company issued Common Stock Purchase Warrants to investors to purchase up to 785,000 shares of the Company's common stock, at an initial exercise price of \$3.18 per share. The grant date fair value of such warrant was \$2,453,000, which was recorded as equity. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$3.50; expected yield of 0.0%; expected volatility of 137%; risk-free interest rate of 4.35% and expected life of 5 years.

In connection with the Second May 2024 Registered Direct Offering and Concurrent Private Placement, the Company issued Common Stock Purchase Warrants to investors to purchase up to 675,000 shares of the Company's common stock, at an initial exercise price of \$3.48 per share. The grant date fair value of such warrant was \$1,944,000, which was recorded as equity. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$3.26; expected yield of 0%; expected volatility of 137%; risk-free interest rate of 4.35% and expected life of 5 years.

On March 26, 2024, the Company entered into a warrant amendment agreement (the "Warrant Amendment Agreement") with certain holders of (i) the New Common Stock Warrants, (ii) the common stock purchase warrants dated January 23, 2024 (the "January 2024 Warrants"), and (iii) the February Common Warrants (together with the New Common Stock Warrants and the January 2024 Warrants, the "Original Warrants"), whereby the holders agreed to (i) amend the New Common Stock Warrants and the January 2024 Warrants so such warrants shall not be exercisable until one or more certificates of amendment to the Company's certificate of incorporation, as amended, are filed with the Secretary of State of the State of Delaware to effectuate an increase in authorized shares of capital stock of the Company and a reverse stock split of the Company's outstanding shares of common stock; and (ii) remove certain exercise price reset, right to reprice and/or share adjustment provisions in the Original Warrants, to be effective following the first adjustments following the April 2024 Reverse Stock Split.

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7. Convertible Redeemable Preferred Stock and Stockholders' Equity, continued

February 2024 Warrants Black Scholes Value Payout

On December 31, 2024 on the closing of the DV Asset Acquisition, a provision requiring a Black Scholes Value payout was triggered in the remaining outstanding February 2024 Warrants. This provision was triggered because the DV Asset Acquisition met the criteria for a fundamental change as described in the warrant agreement. The Black Scholes Value payout was valued at \$1.96 per share and there was an aggregate number of warrants outstanding of 328,483. In order to receive the payout, holders must elect within 30 days of the fundamental change otherwise the warrants convert to warrants in the Company. The warrants were equity classified prior to the close of the DV Asset Acquisition and were reclassified to liability treatment as a result of the payout liability on December 31, 2024. In the three months ended March 31, 2025, 316,415 warrants received requests from the holders to receive the Black Scholes Value payout and thus were paid in cash \$622,000 with the remaining unrequested warrants being reclassified to equity treatment as the January 30, 2025 deadline passed and they reverted to equity warrants. The Company recognized a gain of \$8,000 as a result of reclassifying the warrants to equity.

February 2025 Registered Direct Transaction

On February 14, 2025, the Company closed an offering (the "February 2025 Offering") pursuant to a securities purchase agreement (the "February 2025 Purchase Agreement") with certain investors (the "February 2025 Investors"). In the February 2025 Offering, the Company issued and sold to the February 2025 Investors in a registered direct offering, (a) an aggregate of 4,757,126 shares (the "February 2025 Shares") of common stock of the Company, and (b) common stock purchase warrants (the "February 2025 Warrants", and together with the Shares, the "February 2025 Securities") exercisable for an aggregate of up to 4,757,126 shares of common stock, at an exercise price of \$1.14 per share (the "February 2025 Warrant Shares") at a combined offering price of \$1.14 per share and accompanying February 2025 Warrant, for aggregate gross proceeds of approximately \$5.4 million.

The February 2025 Warrants are immediately exercisable upon issuance and will expire on the fifth anniversary of the issuance date of the February 2025 Warrants. The February 2025 Warrants may be exercised, in certain circumstances, on a cashless basis pursuant to the formula contained in the February 2025 Warrants.

The grant date fair value of the 4,757,126 warrants was approximately \$5,257,000, which were treated as equity instruments. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$1.22; expected yield of 0%; expected volatility of 143.4%; risk-free interest rate of 4.3% and expected life of 5 years.

Obligations Under the Purchase Agreement

Pursuant to the February 2025 Purchase Agreement, the Company agreed, subject to certain exceptions, (i) not to offer for sale, issue, sell, contract to sell, pledge or otherwise dispose of any of its shares of common stock or securities convertible into common stock until 30 days after the closing date of the February 2025 Offering, and (ii) not to issue certain securities if the issuance would constitute a variable rate transaction for a period of 4 months from the closing date of the February 2025 Offering, in each case unless the Company is required to complete a financing prior to the applicable date in order to satisfy Nasdaq's continued listing requirements.

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7. Convertible Redeemable Preferred Stock and Stockholders' Equity, continued

Placement Agency Agreement

In connection with the February 2025 Offering, on February 13, 2025, the Company entered into a placement agency agreement (the "February 2025 Placement Agency Agreement") with Maxim Group LLC (the "February 2025 Placement Agent"), pursuant to which the February 2025 Placement Agent agreed to act as placement agent on a "reasonable best efforts" basis in connection with the February 2025 Offering. Pursuant to the February 2025 Placement Agency Agreement, the Company agreed to pay the February 2025 Placement Agent an aggregate fee equal to 7.0% of the gross proceeds raised in the February 2025 Offering and reimburse the February 2025 Placement Agent an amount up to \$75,000 for expenses in connection with the February 2025 Offering. The Company also issued the February 2025 Placement Agent a private warrant (the "February 2025 Placement Agent Warrant") to purchase up to 5.0% of the aggregate number of February 2025 Securities sold in the February 2025 Offering, or warrants to purchase up to 475,713 shares of common stock (such shares, the "February 2025 Placement Agent Warrant Shares"), at an exercise price equal to 125.0% of the offering price per share of common stock and accompanying February 2025 Warrant, or \$1.425 per share. The February 2025 Placement Agent Warrants will be exercisable 6 months after the commencement of sales in the February 2025 Offering and will expire on the five year anniversary of the initial exercise date.

April 2025 Cashless Warrant Exercises

On April 1, 2025, 2,989,887 shares of common stock were issued pursuant to the cashless exercise terms of the warrants issued between April 2024 through September 2024.

April and May 2025 Warrants

In connection with the April 2025 Offerings, the Company issued 6,448,700 warrants to purchase common stock on April 3, 2025 and 12,897,401 warrants to purchase common stock on May 19, 2025. The 2025 Warrants have an initial exercise price of \$0.8615 per share. The Initial Warrants are exercisable and expire five (5) years from the date of such effectiveness. The Additional Warrants are exercisable immediately upon issuance and expire five (5) years from the date of issuance. The exercise price of the 2025 Warrants is subject to (a) downward adjustment in the event the Company issues shares of common stock or common stock equivalents having an effective price lower than the then current exercise price of the 2025 Warrants, subject to certain exceptions and (b) standard, proportional adjustments in the event of certain events, such as stock splits, combinations, dividends, distributions, reclassifications, mergers or other corporate changes. The Warrants contain 4.99/9.99% beneficial ownership limitations. The warrants met the requirements for equity classification and the fair value upon issuance was recorded to interest expense on the condensed consolidated statement of operations for \$16.7 million due to the fair value of the 2025 Convertible Notes exceeding proceeds on issuance.

During the six months ended June 30, 2025, three holders of warrants executed their right under the "alternative cashless exercise" provision to effect a cashless exercise of a total of 6,235,998 shares of common stock.

Warrants exercisable as of June 30, 2025 exclude warrants to purchase 1 share of common stock issued to a marketing firm, which vest upon the achievement of certain milestones, warrants to purchase 475,713 shares of common stock issued to the Placement Agents (defined below in Note 13), and warrants to purchase 12,068 shares of common stock issued to investors that participated in the February 2024 Public Offering that requires shareholder approval prior to the warrants being exercisable.

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7. Convertible Redeemable Preferred Stock and Stockholders' Equity, continued

Information regarding warrants for common stock outstanding and exercisable as of June 30, 2025 is as follows:

Exercise Price	Warrants Outstanding as of June 30, 2025	Weighted Average Remaining Life (years)	Warrants Exercisable as of June 30, 2025
\$0.86 - \$2.21	31,225,786	4.8	30,799,666
\$3.20 - \$6.00	465	2.3	465
\$1,574.00 - \$22,800.00	5,845	2.6	5,845
\$38,250.00 - \$66,900.00	77	0.6	76
\$1.57*	31,232,173	4.8	30,806,052

* Weighted average

Information regarding warrants for common stock outstanding and exercisable as of December 31, 2024 is as follows:

Exercise Price	Warrants Outstanding as of December 31, 2024	Weighted Average Remaining Life (years)	Warrants Exercisable as of December 31, 2024
\$1.83 - \$2.21	12,589,095	3.9	9,746,909
\$3.18 - \$3.48	618,617	7.0	618,617
\$5.06 - \$6.00	320,559	7.3	320,559
\$1,574.00 - \$30,000.00	5,860	3.0	5,860
\$38,250.00 - \$262,500.00	203	0.6	202
\$3.87*	13,534,334	4.1	10,692,147

* Weighted average

Warrants exercisable as of December 31, 2024 exclude warrants to purchase 1 share of common stock issued to a marketing firm, which vest upon the achievement of certain milestones, warrants to purchase 2,513,703 shares of common stock issued to investors that participated in the December Inducement Agreement that requires shareholder approval prior to the warrants being exercisable and warrants to purchase 328,483 shares of common stock issued to investors that participated in the February 2024 Public Offering that requires shareholder approval prior to the warrants being exercisable, for which all have been recorded as a liability due to the triggering with the Datavault Transaction of the Black Scholes Value payout provision.

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8. Stock-Based Compensation

2018 Long Term Stock Incentive Plan

On January 30, 2018, the Company's board of directors approved the establishment of the Company's 2018 Long-Term Stock Incentive Plan (the "LTIP") and termination of its Carve-Out Plan. Under the LTIP, the aggregate maximum number of shares of common stock (including shares underlying options) that may be issued under the LTIP pursuant to awards of Restricted Shares or Options will be limited to 15% of the outstanding shares of common stock, which calculation shall be made on the first trading day of each new fiscal year; provided that, in any year no more than 8% of the common stock or derivative securitization with common stock underlying 8% of the common stock may be issued in any fiscal year. At a Special Meeting of Stockholders on January 24, 2023, the Company's stockholders approved certain amendments to the LTIP to: (i) increase the annual share limit of common stock that may be issued in any single fiscal year only for the 2023 fiscal year under the LTIP from 8% of the shares of common stock outstanding to 15% of the shares of common stock outstanding (which amount equates to the maximum amount that may be issued in the aggregate under the LTIP), and (ii) permit immediately quarterly calculations based on the number of shares of common stock outstanding as of the first trading day of each fiscal quarter, rather than solely as of the first trading day of the fiscal year. At a Special Meeting of Stockholders on March 15, 2024, the Company's stockholders further approved an amendment to the LTIP to increase the annual share limit of common stock that may be issued only for the 2024 fiscal year under the LTIP from 8% of the shares of common stock outstanding to 15% of the shares of common stock outstanding (which amount equates to the maximum amount that may be issued in the aggregate under the LTIP). At the annual meeting of stockholders held on December 20, 2024 stockholders voted to remove the annual share limit of common stock that may be issued for a certain fiscal year under the LTIP. As a result of this change, the maximum number of shares of common stock that may be subject to equity awards is limited to 15% of the shares of common stock outstanding, which calculation is made using the number of common stock outstanding as of the first trading day of each fiscal quarter. As of June 30, 2025, up to 2,890,815 shares of common stock are available for grants to participants under the LTIP.

A summary of activity related to restricted stock awards with service-based vesting conditions for the six months ended June 30, 2025 is presented below:

Stock Awards	Shares	Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2025	669,344	\$ 3.08
Granted	7,367,625	\$ 0.87
Vested	(447,883)	\$ 1.71
Forfeited	(184,535)	\$ 1.88
Non-vested as of June 30, 2025	<u>7,404,551</u>	<u>\$ 1.01</u>

A summary of activity related to restricted stock awards with performance-based vesting conditions for the six months ended June 30, 2025 is presented below:

Stock Awards	Shares	Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2025	—	\$ —
Granted	1,955,000	\$ 1.04
Vested	—	\$ —
Forfeited	—	\$ —
Non-vested as of June 30, 2025	<u>1,955,000</u>	<u>\$ 1.04</u>

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8. Stock-Based Compensation, continued

As of June 30, 2025, the unamortized compensation costs related to the unvested restricted stock awards with service based vesting conditions was approximately \$7.1 million which is to be amortized on a straight-line basis over a weighted-average period of approximately 2.45 years. As of June 30, 2025, the unamortized compensation costs related to the unvested restricted stock awards with performance based vesting criteria was \$1.7 million which is to be amortized on a straight-line basis over a weighted-average period of approximately 2 years. These performance awards vest upon the achievement of the Company's aggregate revenue equaling or exceeding \$40.0 million over a trailing 12 calendar month period ending on or prior to the date that is 5 years from the grant date. The performance awards are assigned a 100% probability to achieve the performance conditions.

For the three and six months ended June 30, 2025, 57,089 shares of restricted stock awards were released under the LTIP with an intrinsic value of \$47,081.

Inducement Grants

On September 13, 2021, Eric Almgren joined the Company as Chief Strategist and was issued 21 shares of restricted common stock as an inducement grant ("September 2021 Inducement Grant"). As of June 30, 2025, all compensation cost related to the September 2021 Inducement Grant was expensed. As of June 30, 2025, 16 shares are unvested.

On September 30, 2024, the Company issued 70,000 shares of restricted common stock at a fair value per share of \$1.77, to Stanley Mbugua, the Company's Chief Accounting Officer, as an inducement grant ("September 2024 Inducement Grant") pursuant to an inducement award agreement dated as of the same date. Due to the Company closing the acquisition of Data Vault on December 31, 2024, the September 2024 Inducement Grant vesting was fully accelerated due to the change in control that occurred. As of June 30, 2025, there is no unamortized compensation cost related to the September 2024 Inducement Grant.

On January 2, 2025, the Company issued 1,200,000 units of restricted stock at a fair value per share of \$2.04, to Nathaniel Bradley, the Company's Chief Executive Officer, as an inducement grant ("Bradley Inducement Grant") pursuant to an inducement award agreement dated December 31, 2024. Of this grant, 600,000 units have service-based conditions and vest in 3-month equal installments over a 36-month period, while the other 600,000 units have performance-based condition and vest upon the Company's aggregate revenue equaling or exceeding \$40,000,000 over trailing 12 calendar month period ending on or prior to the date that is 5 years from the grant date. As of June 30, 2025, the unamortized compensation cost related to the Bradley Inducement Grant was approximately \$1,958,000 which is being amortized on a straight-line basis over a period of 2.15 years.

On May 20, 2025, the Company issued 500,000 units of restricted stock at a fair value per share of \$0.97, to Mark LoGuirato, as an inducement grant ("LoGuirato Inducement Grant") pursuant to an inducement award agreement dated May 20, 2025. Of this grant, 250,000 awards have service-based conditions and vest in 3-month equal installments over a 36-month period, while the other 250,000 awards have performance-based condition and vest upon the Company's CSI revenue equaling or exceeding \$25,000,000 over trailing 12 calendar month period ending on or prior to the date that is 5 years from the grant date. As of June 30, 2025, the unamortized compensation cost related to the LoGuirato Inducement Grant was approximately \$459,000 which is being amortized on a straight-line basis over a period of 2.25 years.

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8. Stock-Based Compensation, continued

2022 Plan

A summary of activity related to restricted stock units under the Company's Technical Team Retention Plan of 2022 (the "2022 Plan") for the six months ended June 30, 2025 is presented below:

Stock Units	Shares	Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2025	14	\$ 6,407.00
Granted	—	\$ —
Vested	(2)	\$ 6,500.00
Forfeited	—	\$ —
Non-vested as of June 30, 2025	12	\$ 6,392.00

As of June 30, 2025, the unamortized compensation cost related to the unvested restricted stock units was approximately \$46,000 which is to be amortized on a straight-line basis over a weighted-average period of approximately 0.97 years.

For the six months ended June 30, 2025, no shares of restricted stock units were released under the 2022 Plan. For the six months ended June 30, 2024, 3 shares of restricted stock units were released under the 2022 Plan.

9. Income Taxes

The Company recorded no provision for income taxes for the six months ended June 30, 2025 and 2024.

For interim periods, the Company estimates its annual effective income tax rate and applies the estimated rate to the year-to-date income or loss before income taxes. The Company also computes the tax provision or benefit related to items reported separately and recognizes the items net of their related tax effect in the interim periods in which they occur. The Company also recognizes the effect of changes in enacted tax laws or rates in the interim periods in which the changes occur.

As of June 30, 2025 and December 31, 2024, the Company retains a full valuation allowance on its deferred tax assets. The realization of the Company's deferred tax assets depends primarily on its ability to generate taxable income in future periods. The amount of deferred tax assets considered realizable in future periods may change as management continues to reassess the underlying factors it uses in estimating future taxable income.

The provision for income taxes for the six months ended June 30, 2025 and 2024 was calculated on a jurisdiction basis.

10. Commitments and Contingencies

Operating Leases

The Company leases office space under a non-cancellable operating lease that expired in January 2024 and had an option to renew this lease, with renewal rates to be negotiated. Operating lease rentals are expensed on a straight-line basis over the life of the lease beginning on the date we take possession of the property. At lease inception, we determine the lease term by assuming the exercise of those renewal options that are reasonably assured. The exercise of lease renewal options is at our sole discretion. The lease term is used to determine whether a lease is financing or operating and is used to calculate straight-line rent expense. Additionally, the depreciable leasehold improvements is limited by the expected lease term. Leases with an initial term of 12 months or less are not recorded on the condensed consolidated balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

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10. Commitments and Contingencies, continued

The following table reflects our lease assets and our lease liabilities at June 30, 2025 and December 31, 2024 (in thousands):

	June 30, 2025	December 31, 2024
Assets:		
Operating lease right-of-use assets	\$ 493	\$ 536
Liabilities:		
Operating lease liabilities, current	\$ 115	\$ 106
Operating lease liabilities, non-current	\$ 492	\$ 553

Operating lease right-of-use assets are included in other assets. Operating lease liabilities, current, are included in accrued liabilities and Operating lease liabilities, non-current, are include in other liabilities on the condensed consolidated balance sheets.

Lease Costs:

The components of lease costs were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Operating lease cost	\$ 21	\$ 42	\$ 68	95
Short term lease cost	\$ 17	\$ 7	24	15
Total lease cost	\$ 38	\$ 49	\$ 92	110

As of June 30, 2025, the maturity of operating lease liabilities was as follows (in thousands):

Payments due in:	
Year ending December 31, 2025 (6 months remaining)	\$ 92
Year ending December 31, 2026	189
Year ending December 31, 2027	194
Year ending December 31, 2028	200
Year ending December 31, 2029	103
Total minimum lease payments	778
Less: Amounts representing interest	(171)
Present value of operating lease obligations	\$ 607

Lease Term and Discount Rate:

	June 30, 2025
Weighted-average remaining lease term (in years)	4.00
Weighted-average discount rate	13.0 %

The discount rate was calculated by using the Company's estimated incremental borrowing rate.

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10. Commitments and Contingencies, continued

Other Information:

Supplemental cash flow information related to leases was as follows (in thousands):

	Three Months Ended June 30, 2025	Six Months Ended June 30, 2025
Operating cash outflows from operating leases	\$ 46	\$ 91

Contingencies

In the normal course of business, the Company may become involved in legal proceedings. The Company will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of a possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred.

The Company's management does not believe that any such matters, individually or in the aggregate, will have a materially adverse effect on the Company's condensed consolidated financial statements.

NYIAX Agreements

Exchange Agreement

On March 16, 2025, the Company entered into a share exchange agreement (the "Exchange Agreement") with NYIAX, Inc., a Delaware corporation ("NYIAX"), pursuant to which NYIAX exchanged 900,000 shares (the "NYIAX Shares") of NYIAX's common stock, par value \$0.0001 per share (the "NYIAX Common Stock"), for aggregate consideration of up to 5,000,000 shares of common stock (collectively, the "Exchange"). The Exchange Agreement closed on April 9, 2025.

Pursuant to the Exchange Agreement, as full consideration for the sale, assignment, transfer and delivery of the NYIAX Shares by NYIAX to the Company, and upon the terms and subject to all of the conditions contained in the Exchange Agreement, the Company agreed to issue to NYIAX (i) 3,000,000 shares of common stock (such shares of common stock, the "Closing Shares"), and (ii) 2,000,000 shares of common stock (such shares of common stock, the "Additional Shares"), upon the terms and subject to the conditions set forth in the Exchange Agreement. The Closing Shares will be issued in four equal quarterly tranches starting from the closing.

The Additional Shares will be issued only upon completion of a complete advertising cycle for a third party clientele, and upon the parties' mutual written agreement that the Adio Platform (as defined in the Exchange Agreement) has been integrated into the NYIAX Platform (as defined in the Exchange Agreement) upon completion of the advertising cycle. The Additional Shares will be issued within thirty (30) days from the completion of the integration.

The Exchange Agreement includes customary representations and warranties and various customary covenants and closing conditions that are subject to certain limitations, including, without limitation, certain agreements.

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10. Commitments and Contingencies, continued

Intellectual Property Cross-License Agreement

In connection with the Exchange, on March 16, 2025, the Company entered into a white label, co-marketing and intellectual property cross-license agreement (the “License Agreement”) with NYIAX, pursuant to which the Company received a non-exclusive license under certain of NYIAX’s jointly owned patent rights and know-how, and a non-exclusive license to white label NYIAX’s proprietary software-as-a-service advertising brokerage platform, all within the field of data, information and asset monetization and exchange. In exchange, the Company granted to NYIAX a non-exclusive license under certain of the Company’s wholly owned patent rights, know-how and trademarks, including with respect to the Company’s Adio Platform (as defined in the License Agreement), in the field of advertising buying, selling and brokerage.

Pursuant to the License Agreement, as consideration for the services provided by NYIAX pursuant to the License Agreement and the rights to access and use the NYIAX Platform (as defined in the License Agreement) granted to the Company, and upon the terms and subject to all of the conditions contained in the License Agreement, the Company agreed to issue to NYIAX 2,530,000 shares (such shares, the “Consideration Shares”) of common stock.

Pursuant to the License Agreement, in consideration of the rights granted to NYIAX under the License Agreement, NYIAX agreed to pay to the Company a license fee in the form of a convertible promissory note in the aggregate amount \$2,500,000 (the “NYIAX Convertible Note”). The NYIAX Convertible Note is due on the first anniversary of the closing (the “Maturity Date”). NYIAX agreed to pay interest to the Company on the aggregate unconverted and then outstanding principal amount of the NYIAX Convertible Note at the rate of four percent (4%) per annum, accruing from the closing. The NYIAX Convertible Note may be prepaid in full at NYIAX’s election.

The NYIAX Convertible Note will automatically convert at the earlier of (i) the Maturity Date, and (ii) the first underwritten public offering of NYIAX pursuant to an effective registration statement under the Securities Act, covering the offer and sale by NYIAX of its equity securities, as a result of or following which NYIAX shall be a reporting issuer under the Exchange Act, and NYIAX’s common stock is listed on the Trading Market (as defined in the NYIAX Convertible Note), at a conversion price of \$2.00 per share.

The License Agreement includes customary representations and warranties and various customary covenants and closing conditions that are subject to certain limitations, including, without limitation, certain agreements.

Software Development Agreement

In connection with the Exchange, on March 16, 2025, the Company entered into a software development agreement (the “Software Development Agreement”) with NYIAX, pursuant to which NYIAX has engaged the Company to develop certain software and provide certain additional professional services as the parties will agree under one or more statements of work.

The Software Development Agreement includes customary representations and warranties and various customary covenants and closing conditions that are subject to certain limitations, including, without limitation, certain agreements.

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10. Commitments and Contingencies, continued

Lock-up Agreements

On April 9, 2025, the Company and NYIAX entered into the Lock-Up Agreements (defined below). In connection with the Exchange Agreement, the Company agreed to enter into a lock-up agreement in respect of the NYIAX Shares, pursuant to which the NYIAX Shares shall be subject to lock-up restrictions for four (4) years from the issuance (the “Datavault Lock-Up Agreement”). Concurrently, NYIAX agreed to enter into (i) a lock-up agreement in respect of the Additional Shares to be issued by the Company to NYIAX pursuant to the Exchange Agreement, pursuant to which the Additional Shares shall be subject to lock-up restrictions for two (2) years from the issuance (the “Additional Lock-Up Agreement”), (ii) a lock-up agreement in respect of the consideration shares (the “Consideration Shares”) to be issued by the Company to NYIAX pursuant to that certain White Label, Co-Marketing and Intellectual Property Cross-License Agreement, by and between the Company and NYIAX, dated as of March 16, 2025, pursuant to which the Consideration Shares shall be subject to lock-up restrictions for one (1) year from the issuance (the “Consideration Lock-Up Agreement”), and (iii) a lock-up agreement in respect of the Closing Shares to be issued by the Company to NYIAX pursuant to the Exchange Agreement, pursuant to which the Closing Shares shall be subject to lock-up restrictions for one (1) year from the issuance (the “Closing Lock-Up Agreement”, and together with the Datavault Lock-Up Agreement, the Additional Lock-Up Agreement, and the Consideration Lock-Up Agreement, the “Lock-Up Agreements”).

The Company recorded the first and second allotment of common stock of 750,000 shares for total of 1,500,000 shares as research and development expense of \$1.1 million on the condensed consolidated statement of operations for the use of NYIAX IP as described above. No revenue has been recorded under the agreements.

11. Related Parties

Nathaniel Bradley and EOS Holdings

Nathaniel Bradley, the Chief Executive Officer (“CEO”) of the Company, is a control person of EOS Holdings which became a related party of the Company at the close of the DV Asset Acquisition on December 31, 2024. In addition, Sonia Choi, the Company’s Chief Marketing Officer is the spouse of the Company’s CEO and holds the position of Chief Marketing Officer of EOS Holdings, a related party of the Company. EOS Holdings received 3,999,911 shares of common stock of the Company at the close of the transaction. As described in Note 5 Borrowings, the Company owes \$8.3 million of principal balance under the DV Convertible Note to EOS Holdings as of June 30, 2025. The Company has recorded \$5,000 in interest income on the notes receivable for the six months ended June 30, 2025.

In addition to the DV Convertible Note and the Data Vault Note Balance, on January 16, 2025, the Company entered into a Transition Services Agreement (“Transition Services Agreement”) to receive from EOS Holdings, employees to provide transition services in connection with the Acquired Assets for a period of up to three months. For the three and six months ended June 30, 2025, the Company has paid \$428,000 and \$501,000 to EOS Holdings and has a balance due to EOS as of June 30, 2025 of \$97,000. No fees were paid to EOS Holdings during the quarter ended June 30, 2025 in connection with the Transition Services Agreement.

Helge Kristensen

Mr. Kristensen has served as a member of the Company’s board of directors since 2010. Mr. Kristensen serves as vice president of Hansong Technology, an original device manufacturer of audio products based in China, president of Platin Gate Aps, a company with focus on service-branding in lifestyle products as well as pro line products based in Denmark and co-founder and director of Inizio Capital, an investment company based in the Cayman Islands.

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11. Related Parties, continued

For the three months ended June 30, 2025 and 2024, Hansong Technology purchased modules from the Company of approximately \$26,000 and \$10,000, respectively, and made payments to the Company of approximately \$0 and \$0, respectively. At June 30, 2025 and 2024, Hansong Technology owed the Company approximately \$61,000 and \$39,000, respectively. For the three months ended June 30, 2025 and 2024, Hansong Technology sold speaker products to the Company of approximately \$1,000 and \$1,000, respectively, and the Company made payments to Hansong Technology of approximately \$2,000 and \$63,000 respectively. At June 30, 2025 and 2024, the Company owed Hansong Technology approximately \$42,000 and \$163,000, respectively.

For the six months ended June 30, 2025 and 2024, Hansong Technology purchased modules from the Company of approximately \$37,000 and \$35,000, respectively, and made payments to the Company of approximately \$0 and \$0, respectively. For the six months ended June 30, 2025 and 2024, Hansong Technology sold speaker products to the Company of approximately \$1,000 and \$1,000, respectively, and the Company made payments to Hansong Technology of approximately \$2,000 and \$88,000, respectively.

As of June 30, 2025 and December 31, 2024, Mr. Kristensen owned less than 1.0% of the outstanding shares of the Company's common stock.

12. Segment Information

The Company has adopted ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* and has revised prior year disclosures to conform with the current year presentation. The Company operates in one business segment. Our chief decision-maker, the President and Chief Executive Officer, evaluates our performance based on company-wide consolidated results.

Operating segments have been identified based on the financial information utilized by the Company's Chief Executive Officer, the chief operating decision maker ("CODM"). The CODM uses net income as a measure of profitability to assess segment performance and deciding on how to allocate resources such as capital investments, share repurchases, and acquisitions. The CODM does not use or receive total assets by segment to make decisions regarding resources; therefore, the total asset disclosure by segment has not been included.

The Company operates in one business segment. Our chief decision-maker, the Chief Executive Officer, evaluates our performance based on company-wide consolidated results. We are evaluating the impact of the CSI acquisition on our segment determination and expect to conclude that analysis in the third quarter of 2025.

The following table reflects results of operations of the Company's reportable segment (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Net revenue	\$ 1,735	\$ 345	\$ 2,364	\$ 600
Cost of net revenue	1,700	334	2,260	672
Salaries, benefits, and stock based compensation expense	4,664	2,303	8,223	4,587
Other segment expenses	5,335	3,085	8,951	4,856
Depreciation and amortization expense	2,500	28	4,825	48
Interest (expense), net	(24,646)	(4)	(24,766)	(1,269)
Other (expense) income, net	(1)	(37,256)	(13)	(29,126)
Income tax expense	5	—	5	—
Net loss	\$ (37,116)	\$ (42,665)	\$ (46,679)	\$ (39,958)

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12. Segment Information continued

Net revenue from customers is designated based on the geographic region to which the product is delivered. Net revenue by geographic region for the three and six months ended June 30, 2025 and 2024 was as follows:

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Asia Pacific	\$ 199	\$ 264	\$ 565	\$ 351
North America	1,477	26	1,615	115
Europe	59	55	184	134
Total	<u>\$ 1,735</u>	<u>\$ 345</u>	<u>\$ 2,364</u>	<u>\$ 600</u>

Substantially all of our long-lived assets are located in the United States.

13. Subsequent Events

On July 13, 2025, the Company entered into a Stock Purchase Agreement (the “API Purchase Agreement”) with API Media Innovations Inc., a New Jersey corporation (“API Media”), David Reese and Frank Tomaino (Mr. Tomaino together with Mr. Reese, the “Sellers” and each a “Seller”), pursuant to which the Company agreed to purchase from the Sellers all of the outstanding shares of common stock of API Media (the “API Shares”) for an aggregate purchase price of (i) an amount in cash equal to \$6.0 million, (ii) 5,117,188 shares of common stock of the Company, and (iii) \$2.0 million payable in the aggregate in the form of convertible promissory notes by the Company to the Sellers (the “API Notes”).

The API Notes shall be in a form agreed to among the Company and the Sellers and will payable in eight equal quarterly installments at the end of every three months following the closing of the purchase and sale of the API Shares (the “API Closing”), with the final payment due on the second anniversary of the API Closing. The Company has agreed to pay interest at the rate of ten percent (10%) per annum. At any time and at the Sellers’ option, the unpaid balance of the API Notes shall be convertible to common stock, in increments of \$250,000, at a price of \$1.14 per share. Any unconverted balance of the API Notes shall be paid in cash on the second anniversary of the API Closing.

The API Purchase Agreement includes customary representations and warranties and various customary covenants and closing conditions that are subject to certain limitations. If required by the applicable rules and regulations of the Nasdaq Capital Market, the Company will obtain a written consent of the Company’s stockholders to issue the shares of common stock to the Sellers and inform the stockholders of the Company of the receipt of the stockholder consent by preparing and filing with the U.S. Securities and Exchange Commission an information statement with respect thereto; provided, however, that in the event the Company is unable to obtain such prior written consent, then the Company shall organize a stockholders meeting and obtain such stockholders’ approval in a duly convened stockholders’ meeting.

The API Closing is conditioned on Mr. Reese and Mr. Tomaino entering into and delivering to the Company a consulting agreement, the form of which shall be mutually agreed upon. Additionally, the API Closing is conditioned on the Company completing one or more financings totaling a minimum of \$10.0 million in net proceeds.

Pursuant to the Purchase Agreement, the API Purchase Agreement can be terminated by mutual written consent of the parties, and also by either party, since the outside date, August 12, 2025 (the “Outside Date”) has passed, and the closing has not been consummated by the Outside Date. Additionally the API Purchase Agreement can be terminated by either party if a final, non-appealable order, decree or ruling enjoining or otherwise prohibiting consummation of the purchase has been issued by any governmental authority or if the other party is in breach of the API Purchase Agreement which has not been cured within ten (10) days of written notice of such breach (provided that such terminating party has not committed a material breach which is the principal cause of the failure to close). In the event that the API Purchase Agreement is terminated by the Company for a reason other than as permitted by the API Purchase Agreement, the Company shall pay to the Sellers an irrevocable and non-refundable breakup fee, in cash equal to \$1.0 million, pursuant to the terms provided for in the API Purchase Agreement.

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13. Subsequent Events, continued

July 2025 ATM Program, Equity Distribution Agreement and Waiver Agreements

On July 21, 2025, the Company entered into an equity distribution agreement (the “July 2025 EDA”) with Maxim Group LLC, as agent, pursuant to which the Company may issue and sell shares of its common stock having an aggregate offering price of up to \$50,000,000 from time to time through Maxim Group LLC.

Any sales of shares of Common Stock pursuant to the July 2025 EDA will be made pursuant to a shelf registration statement (the “Registration Statement”) on Form S-3 (File No. 333-288538) (the “Registered Offering”), which was initially filed with the U.S. Securities and Exchange Commission (the “SEC”) on July 7, 2025 and declared effective by the SEC on July 9, 2025, the prospectus contained therein and a prospectus supplemental relating to the Registered Offering dated July 22, 2025.

Maxim Group LLC may sell common stock by any method permitted by law deemed to be an “at the market offering” as defined in Rule 415(a)(4) promulgated under the Securities Act of 1933, as amended, including, without limitation, sales made directly on The Nasdaq Capital Market or sales made into any other existing trading market for the Company’s common stock or to or through a market maker. Subject to the terms and conditions of the July 2025 EDA, Maxim Group LLC will use its commercially reasonable efforts to sell the shares of the Company’s common stock from time to time, based upon its instructions (including any price, time or size limits or other parameters or conditions that we may impose). The Company will pay to Maxim Group LLC a cash commission of up to 3.0% of the gross proceeds from the sale of any shares of common stock by Maxim Group LLC under the July 2025 EDA. The Company and Maxim Group LLC have also provided each other with customary indemnification rights.

The Company is not obligated to make any sales of common stock under the July 2025 EDA and no assurance can be given that it will sell any shares under the July 2025 EDA, or, if it does, as to the price or number of shares that it will sell, or the dates on which any such sales will take place. The July 2025 EDA may be terminated by either party as set forth in the July 2025 EDA.

Also on July 21, 2025, the Company entered into an agreement (the “Waiver Agreement”) with the April 2025 Purchasers party to the April 2025 Purchase Agreement, pursuant to which the April 2025 Purchasers waived the provisions relating to variable rate transactions contained in Section 4.12(b) of the April 2025 Purchase Agreement for a period of 60 days and the provisions relating to participation rights contained in Section 4.19 of the April 2025 Purchase Agreement, and the Company agreed that until the earlier to occur of (a) the end of the 60-day period beginning on the trading date after the date of the Waiver Agreement, and (b) when no Purchaser holds any of the Notes (as defined in the April 2025 Purchase Agreement), the Company will not sell shares of Common Stock pursuant to the July 2025 EDA (a)(i) on any trading day in an amount exceeding 10% of the trading volume of the shares of Common Stock on such trading day during regular trading hours, or (ii) outside of regular trading hours, (b) at a per share price below \$1.10, or (c) in an aggregate amount exceeding \$25,000,000. The Company also agreed to issue an aggregate of 5,000,000 shares of Common Stock to the April 2025 Purchasers on the date the Company receives stockholder approval for such issuance under applicable stock exchange rules.

July 2025 Subscription Agreement

On July 25, 2025, the Company entered into a subscription agreement (the “Subscription Agreement”) with a certain investor, pursuant to which the Company sold to the investor an aggregate of 284,091 unregistered shares of the Company’s common stock (the “Subscription Securities”) in a private placement, for an aggregate subscription amount of \$250,000. The Subscription Securities are subject to certain transfer restrictions pursuant to the Subscription Agreement. The Subscription Agreement includes customary representations and warranties and various customary covenants and closing conditions that are subject to certain limitations.

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13. Subsequent Events, continued

Web Access Intellectual Property Purchase Agreement

On July 30, 2025, pursuant to the certain Settlement Agreement and Release of All Claims dated as of July 30, 2025 (the “Settlement Agreement”), the Company entered an intellectual property purchase agreement (the “Web Access IP Purchase Agreement”) with Web Access, LLC (“Web Access”), pursuant to which the Company agreed to purchase certain intellectual property and other related assets and liabilities from Web Access (the “Web Access IP Assets”).

The Company agreed to acquire the Web Access IP Assets in exchange for the issuance of 3,000,000 shares of common stock. Web Access and an affiliate of Web Access will have certain registration rights for (i) the shares and (ii) an additional 300,000 shares of outstanding common stock pursuant to the Settlement Agreement, pursuant to that certain registration rights agreement with the Company and the holders of the registrable securities, dated as of July 30, 2025 (the “Registration Rights Agreement”).

The Company has acquired no rights in relation to any intellectual property related to Web Access’s “Weed Wagon” intellectual property. Web Access has no further right to use of the Web Access IP Assets and shall not use any confusingly similar marks or domain names.

The Web Access IP Purchase Agreement includes customary representations and warranties and various customary covenants and closing conditions that are subject to certain limitations, including, without limitation, certain third-party agreements. The Company’s CEO, Nathaniel Bradley, is a member and manager of Web Access.

Intellectual Property Sale and Assignment Agreement

On July 12, 2025, the Company entered into an intellectual property sale and assignment agreement (the “IP Sale and Assignment Agreement”) with Turner Global Media, LLC (“TGM”), pursuant to which the Company agreed to purchase, and TGM has agreed to sell and assign, certain intellectual property related to inaudible audio technology owned by TGM (the “TGM IP Assets”).

The Company agreed to acquire the TGM IP Assets from TGM in exchange for (i) the issuance to TGM of 2,500,000 shares of common stock as restricted stock, which are to be issued within 15 days of July 12, 2025 and (ii) a royalty (the “Royalty”) on the total revenue derived by the Company from (a) the sale, licensing, or commercialization of the TGM IP, and/or (b) the patented technology described in the eight patents listed in the IP Sale and Assignment Agreement (the “ADIO Patented Technology”), for the dissemination of audio signals, including inaudible frequencies, through any and all devices capable of producing sound, including but not limited to radios, televisions, streaming platforms, retail shelf talkers, venue sound systems, and wearable portable broadcast devices, before any deductions for taxes, discounts, or other expenses (“Gross Sales”).

The Royalty will be 15% of Gross Sales. The Royalty will be calculated and paid quarterly, within 30 days of the end of the relevant calendar quarter, beginning with the first full calendar quarter following July 12, 2025. If the total Royalty paid to TGM reaches \$15 million, the Royalty percentage drops from 15% to 10%. Unless terminated earlier, the IP Sale and Assignment Agreement will expire upon the expiration of the patents included in the ADIO Patented Technology.

The IP Sale and Assignment Agreement includes customary representations and warranties and various customary covenants and closing conditions that are subject to certain limitations.

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13. Subsequent Events, continued

Purchase Commitment for Programs

On July 7, 2025, the Company entered into a purchase commitment for programs with an effective date of June 30, 2025 (the “Purchase Commitment”) with International Business Machines Corporation (“IBM”), pursuant to which the Company has agreed to purchase, and IBM has agreed to sell, certain subscriptions to IBM program offerings (the “Programs”).

Pursuant to the Purchase Commitment, IBM has agreed to license the Programs to the Company for two payments of \$18.9 million on June 30, 2025 and \$4.8 million on September 30, 2025, respectively (the “Program Payments”). According to an Embedded Solution Agreement (the “Base Agreement”), of which the Purchase Commitment and the Cloud Services Agreement (as defined below) form a part, the Program Payments become due once an invoice is sent from IBM to the Company and are due within 30 days of receipt of the invoice.

Under the Purchase Commitment, the Company must send a report to IBM every 90 days summarizing the use of each Program. The Company may license the Programs to end-users, subject to certain limitations, restrictions, and requirements. The Company must use its own intellectual property to add value to the Programs and describe this value to IBM as well as bundle it within the Programs when licensing to end-users.

The Purchase Commitment includes customary representations and warranties and various customary covenants and closing conditions that are subject to certain limitations, including in the Base Agreement.

Cloud Services Subscription Agreement

On July 7, 2025, the Company entered into a cloud services subscription agreement with an effective date of June 30, 2025 (the “Cloud Services Agreement”) with IBM, pursuant to which the Company has agreed to purchase, and IBM has agreed to sell, certain subscriptions to IBM cloud services (the “Cloud Services”).

The Company has selected their Cloud Services, with the minimum value of the Cloud Services actually purchased within each annual period being (i) \$105,564 in the first year, (ii) \$2,111,850 in the second year, and (iii) \$4,117,292.40 in the third year. If the Cloud Services purchased in an annual period exceed the minimum, that surplus amount can be removed from the required minimum for the following year. If the Cloud Services purchased in an annual period are below the minimum, the Company must place an order covering the additional amount within seven days of the end of the applicable annual period. If the Company does not place that additional order, IBM may invoice the Company and require the Company to pay that additional amount to reach the minimum for the applicable annual period.

Pursuant to the Cloud Services Agreement, the Company must use its own intellectual property to add value to the Cloud Services for end-users of the Cloud Services.

The Cloud Services Agreement includes customary representations and warranties and various customary covenants and closing conditions that are subject to certain limitations, including in the Base Agreement.

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13. Subsequent Events, continued

Securities Purchase Agreement

On August 4, 2025, the Company, entered into a Securities Purchase Agreement (the “August Purchase Agreement”) with certain institutional investors (the “August Purchasers”), pursuant to which the August Purchasers agreed to purchase from the Company in a registered direct offering, senior secured convertible notes having an aggregate principal amount of \$6.7 million (the “August Initial Notes”) for an aggregate purchase price of \$6.0 million and senior secured convertible notes having an aggregate principal amount of \$6.7 million (the “August Additional Notes”, and together with the August Initial Notes, the “August Notes”) for an aggregate purchase price of \$6.0 million upon satisfaction of certain closing conditions applicable to the August Initial Notes and August Additional Notes, respectively.

The closing of August Initial Notes (the “August Initial Closing”) will take place upon satisfaction of certain customary closing conditions set forth in the August Purchase Agreement and occurred on August 6, 2025. The closing of the August Additional Notes (the “August Additional Closing,” and together with the August Initial Closing, the “August Closings”), subject to the satisfaction of certain additional closing conditions, will take place on or after the date that is 20 calendar days after the mailing by the Company of a definitive information statement on Schedule 14(c) with respect to the approval, by written consent of the Company’s stockholders, of the issuance of the shares of common stock of the Company issuable upon conversion of the August Notes and the issuance of the shares of common stock pursuant to the Exchange Agreement.

Obligations Under the Purchase Agreement

Pursuant to the August Purchase Agreement, the Company agreed, subject to certain exceptions, (i) not to offer for sale, issue, sell, contract to sell, pledge or otherwise dispose of any of shares of common stock or securities convertible into shares of common stock until 45 days after the date of each August Closing, and (ii) not to issue certain securities if the issuance would constitute a variable rate transaction until no August Purchasers holds any August Notes.

Pursuant to the August Purchase Agreement, until the date that is 18 months after the date on which the August Notes are no longer outstanding, the August Purchasers have the right, but not the obligation, to participate in any issuance by the Company of any debt, preferred stock, shares of common stock or securities convertible into shares of common stock (a “Subsequent Financing”) up to a maximum of 65% of such Subsequent Financing on the same terms, conditions and price provided to other investors in such Subsequent Financing.

Notes

The August Notes carry a 10% original issue discount, and mature 18 months from the date of issuance. No interest accrues during the term of the August Notes, unless an event of default occurs, in which case interest will accrue at a rate of 12% per annum. The obligations under the August Notes rank senior to all other existing indebtedness and equity of the Company. The August Notes are convertible at any time beginning on the date of stockholder approval at the option of the holders into such number of shares of common stock at an initial conversion price equal to \$1.00 per share (the “August Conversion Price”). Alternatively, following the date of the stockholder approval, the August Notes are convertible at the holder’s election, at a price (the “August Alternate Conversion Price”) equal to the greater of (x) the Floor Price (as defined below) and (y) 80% of the lowest volume weighted adjusted price of the shares of Common Stock (the “VWAP”) in the twenty (20) trading days prior to the applicable conversion date (“August Alternate Conversions”).

The conversion price of the August Notes is subject to a floor price of \$0.1019 (the “August Floor Price”).

DATAVAULT AI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2025 and 2024
(unaudited)

13. Subsequent Events, continued

In the event the August Alternate Conversion Price would be lower than the August Floor Price, the Company is required to compensate the holders of the August Notes by paying the holders in cash an amount (the “August Alternate Conversion Floor Amount”) equal to the product obtained by multiplying (A) the VWAP on the day the holder delivers the applicable conversion notice and (B) the difference obtained by subtracting (I) the number of shares of common stock delivered (or to be delivered) to the holder on the applicable share delivery date with respect to such August Alternate Conversion from (II) the quotient obtained by dividing (x) the applicable conversion amount that the holder has elected to be the subject of the applicable August Alternate Conversion, by (y) the applicable August Alternate Conversion Price without being limited by the August Floor Price.

Under the August Notes, the Company is required to use up to 20% of the proceeds from future financings to redeem the August Notes in an amount equal to the aggregate principal amount of the August Notes being redeemed from such proceeds multiplied by 105%.

The August Notes contain 4.99/9.99% beneficial ownership limitations and customary provisions regarding events of defaults and negative covenants.

Security Agreement and Guarantee

In connection with the registered direct offering (the “August Offering”), the Company agreed to forms of documents to be executed at or prior to the August Initial Closing, consisting of (i) a security agreement (the “August Security Agreement”), which will grant to the holders of the August Notes a security interest in all of the assets of the Company, and (ii) a subsidiary guarantee (the “Subsidiary Guarantee”), pursuant to which certain subsidiaries of the Company will guarantee the Company’s obligations under the Notes.

Exchange Agreements

Pursuant to the August Purchase Agreement, on August 4, 2025, the Company entered into exchange agreements (each, an “August Exchange Agreement”) with certain August Holders of the Company’s common stock purchase warrants. Pursuant to the August Exchange Agreements, the August Holders agreed to exchange (a) their common stock purchase warrants (the “Original Warrants”) exercisable for an aggregate of approximately 31 million shares of common stock, for (b) the same number of shares (the “August Exchange Shares”) of common stock, subject to receipt of the stockholder approval.

The August Exchange Shares, once the stockholder approval is obtained, will be issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), contained in Section 3(a)(9) thereof.

DATAVAULT AI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2025 and 2024
(unaudited)

13. Subsequent Events, continued

Amendment of Prior Notes

At the August Initial Closing, the Company is expected to enter into agreements with the August Purchasers to amend those certain senior secured convertible notes issued on April 3, 2025 and May 21, 2025, the 2025 Notes between the Company and the August Purchasers in accordance with a certain Senior Secured Convertible Note Amendment (the “Note Amendment”). Once the Note Amendment is entered into, the conversion price under an “Alternate Conversion will be revised from (a) the greater of (x) the floor price set forth in the 2025 Notes and (y) 90% of the lowest VWAP in the ten (10) trading days prior to the applicable date for the Alternate Conversion to (b) the greater of (x) the floor price set forth in the 2025 Notes and (y) 80% of the lowest VWAP in the twenty (20) trading days prior to the applicable date for the Alternate Conversion.

Placement Agency Agreement

In connection with the August Offering, on August 4, 2025, the Company entered into a placement agency agreement (the “Placement Agency Agreement”) with Maxim Group LLC (the “Placement Agent”), pursuant to which the Placement Agent agreed to act as placement agent on a “reasonable best efforts” basis in connection with the Offering. Pursuant to the Placement Agency Agreement, the Company agreed to pay the Placement Agent an aggregate fee equal to 8.0% of the gross proceeds raised in the Offering and reimburse the Placement Agent an amount up to \$15,000 for expenses in connection with the Offering.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Notice Regarding Forward Looking Statements

This Report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “predict,” “project,” “forecast,” “potential,” “continue,” negatives thereof or similar expressions. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of Datavault AI Inc.’s (the “Company”, “our”, “us” or “we”) operations; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future operations, future cash needs, business plans and future financial results, and any other statements that are not historical facts.

From time to time, forward-looking statements also are included in our other periodic reports on Form 10-K, 10-Q and 8-K, in our press releases, in our presentations, on our website and in other materials released to the public. Any or all of the forward-looking statements included in this Report and in any other reports or public statements made by us are not guarantees of future performance and may turn out to be inaccurate. These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, including risks related to market, economic and other conditions; the Company’s ability to continue as a going concern; the Company’s ability to manage costs and execute on its operational and budget plans; and, the Company’s ability to achieve its financial goals. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

Overview

Datavault AI Inc. (Nasdaq: DVLV) is an innovative technology licensing company revolutionizing data management, valuation, and monetization through its portfolio of patented, secure platforms. Our proprietary high-performance computing (“HPC”) infrastructure and advanced software empower global businesses with innovative, AI-driven solutions tailored for the Web 3.0 ecosystem. Central to our offerings are our flagship AI agents—Data Vault®, DataValue®, DataScore®, and Data Vault Bank®—which leverage generative AI to deliver enterprise-grade capabilities for data ownership immutability, real-time experiential observability, precise asset valuation, and secure monetization. Operating through two synergistic divisions—Data Science and Acoustic Science—we optimize revenue streams across industries such as sports, entertainment, biotech, fintech, and energy. With a seasoned executive leadership team and robust engineering expertise, Datavault AI is poised to capitalize on the growing demand for data-driven solutions, unlocking transformative opportunities in an increasingly digital world.

Strategic Acquisition of CompuSystems, Inc.

On May 20, 2025, we finalized the strategic acquisition of CompuSystems, Inc. (“CSI”) assets, a pivotal milestone in our growth strategy. This acquisition enhances our capabilities in event management and data monetization, particularly in the sports, entertainment, and venue markets, by integrating CSI’s historical, present, and future data with our patented Web 3.0 technologies, including Data Vault, Adio, and WiSA.

To date, our operations have been funded through sales of our common and preferred equity, proceeds from the exercise of warrants to purchase common stock, sale of debt instruments, and revenue from the sale of our products. Our condensed consolidated financial statements contemplate the continuation of our business as a going concern. However, we are subject to the risks and uncertainties associated with an emerging business, as noted above we have no established source of capital, and we have incurred recurring losses from operations since inception.

Comparison of the Three and Six Months Ended June 30, 2025 and 2024

Revenue

Revenue for the three months ended June 30, 2025 was \$1.7 million, an increase of \$1.4 million or 403% compared to the revenue for the three months ended June 30, 2024 of \$0.3 million. The increase was a result of the acquisition of CSI.

Revenue for the six months ended June 30, 2025 was \$2.4 million, an increase of \$1.8 million or 294% compared to the revenue for the six months ended June 30, 2024 of \$0.6 million. The increase was a result of the acquisition of CSI.

Gross Profit and Operating Expenses

Gross Profit (Deficit)

Gross profit for the three months ended June 30, 2025 was \$35,000 compared to a gross profit of \$11,000 for the three months ended June 30, 2024. The gross margin as a percent of sales was 2% for the three months ended June 30, 2025, compared to 3% for the three months ended June 30, 2024.

Gross profit for the six months ended June 30, 2025 was 0.1 million compared to a gross deficit of (\$72,000) for the six months ended June 30, 2024.

Research and Development

Research and development expenses for the three months ended June 30, 2025 were \$4.2 million, an increase of \$2.4 million, compared to the research and development expenses for the three months ended June 30, 2024 of \$1.8 million. The increase in research and development expenses is primarily driven by the acquisition of NYIAX assets for \$1.5 million in exchange for 1,500,000 shares of common stock and a payment of \$450,000 to NYIAX, higher headcount resulting in increased salaries, wages, benefits, and stock-based compensation of \$0.4 million, and legal expenses related to intellectual property of \$0.3 million.

Research and development expenses for the six months ended June 30, 2025 were \$6.6 million, an increase of \$3.1 million compared to the research and development expenses for the six months ended June 30, 2024 of \$3.5 million. The increase in research and development expenses is primarily driven by the acquisition of NYIAX assets for \$1.5 million in exchange for 1,500,000 shares of common stock and a payment to NYIAX of \$450,000, higher headcount resulting in increased salaries, wages, benefits, and stock-based compensation of \$0.8 million and facility expenses of \$0.1 million, legal expenses related to intellectual property of \$0.4 million and other research and development costs of \$0.1 million.

Sales and Marketing

Sales and marketing expenses for the three months ended June 30, 2025 were \$1.7 million, an increase of \$0.9 million compared to the sales and marketing expenses for the three months ended June 30, 2024 of \$0.9 million. The increase in sales and marketing expenses is primarily related to an increase in headcount resulting in increased salaries and wages, benefits and stock-based compensation of \$0.6 million and consulting expenses of \$0.2 million.

Sales and marketing expenses for the six months ended June 30, 2025 were \$3.2 million, an increase of \$1.4 million compared to the sales and marketing expenses for the six months ended June 30, 2024 of \$1.8 million. The increase in sales and marketing expenses is primarily related to an increase in headcount resulting in increased salaries and wages, benefits and stock-based compensation of \$0.8 million, and increased consulting and investor relations expenses of \$0.5 million and \$45,000, respectively.

General and Administrative

General and administrative expenses for the three months ended June 30, 2025 were \$6.5 million, an increase of \$3.7 million compared to general and administrative expenses for the three months ended June 30, 2024 of \$2.8 million. The increase in general and administrative expenses is primarily driven by higher amortization of intangibles assets of \$2.3 million related to the Data Vault asset acquisition that closed on December 31, 2024, an increase in headcount resulting in increased salaries and wages, benefits and stock-based compensation of \$1.2 million, increased consulting expense of \$0.4 million, increased legal and accounting fees of \$0.2 million and \$0.2 million, respectively, offset partially by decreases in investor relations and shareholder expenses of \$0.8 million and \$82,000, respectively.

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General and administrative expenses for the six months ended June 30, 2025 were \$12.2 million, an increase of \$8.0 million, compared to the general and administrative expenses for the three months ended June 30, 2024 of \$4.2 million. The increase in general and administrative expenses is primarily driven by higher amortization of intangibles assets of \$4.6 million related to the Data Vault asset acquisition that closed on December 31, 2024, an increase in headcount resulting in increased salaries and wages, benefits and stock-based compensation of \$1.8 million, increased consulting expense of \$0.8 million, increased legal and accounting fees of \$0.4 million and \$0.1 million, respectively, offset partially by decreases in investor relations and shareholder expenses of \$0.1 million and \$0.2 million, respectively.

Interest expense, net for the three months ended June 30, 2025 was \$17.2 million, an increase of \$17.2 million compared to the interest expense for the three months ended June 30, 2024 of \$4,000. Interest expense increased due to the issuance of the Additional Warrants with the 2025 Notes fair value at issuance of \$16.7 million.

Interest expense, net for the six months ended June 30, 2025 was \$17.3 million, an increase of \$16.1 million compared to the interest expense for the six months ended June 30, 2024 of \$1.3 million. The increase in interest expense, net for the six months ended June 30, 2025, is due to the issuance of the Additional Warrants with the 2025 Notes fair value at issuance of \$16.7 million.

Change in fair value of convertible notes measured at fair value increased to \$8.8 million for the three and six months ended June 30, 2025 compared to none for the three and six months ended June 30, 2024 due to the issuance of the 2025 Notes and recording the issuance fair value of \$8.8 million, including \$3.0 million of fees and original issue discount.

Change in fair value of convertible note to related party measured at fair value increased to a gain of \$1.4 million in the three and six months ended June 30, 2025 compared to none in the three and six months ended June 30, 2024 due to a decrease in the DV Note fair value of \$1.4 million.

Change in Fair Value of Warrant Liability

Change in fair value of warrant liability for the three months ended June 30, 2025 was a gain of \$2,000 compared to a loss of \$37,255,000 for the three months ended June 30, 2024. The change in fair value of the warrant liability for the three months ended June 30, 2024 was due to the issuance of additional warrants to purchase 5,602,693 shares of common stock and the subsequent valuing of such warrants. The additional warrants were issued as a result of provision in certain of the warrant agreements that was triggered following the Company's reverse stock split that occurred in April 2024. There was no such activity in the three months ended June 30, 2025.

Change in fair value of warrant liability for the six months ended June 30, 2025 was a gain of \$19,000 compared to a loss of \$29,126,000 for the six months ended June 30, 2024. The change in fair value of the warrant liability for the six months ended June 30, 2024 was due to the issuance of additional warrants to purchase 5,602,693 shares of common stock and the subsequent valuing of such warrants. The additional warrants were issued as a result of provision in certain of the warrant agreements that was triggered following the Company's reverse stock split that occurred in April 2024. There was no such activity in the six months ended June 30, 2025.

Liquidity and Capital Resources

Cash and cash equivalents as of June 30, 2025 were \$0.7 million compared to \$3.3 million, as of December 31, 2024.

We recorded a net loss of \$37.1 million and \$46.7 million for the three and six months ended June 30, 2025 and used net cash in operating activities of \$12.8 million for the six months ended June 30, 2025 vs \$9.0 million for the six months ended June 30, 2024. Excluding non-cash adjustments, the primary reasons for the increase in the use of net cash from operating activities during the six months ended June 30, 2025, was related to an increase in the net loss.

Cash provided by financing activities for the six months ended June 30, 2025 and 2024 totaled approximately \$16.7 million and \$14.9 million, respectively.

We have financed our operations to date primarily through the issuance of equity securities, proceeds from the exercise of warrants to purchase common stock and sale of debt instruments. In April 2025 and May 2025 we received \$4.5 million and \$9.2 million in proceeds from the issuance of the 2025 Notes. In February 2025, we received aggregate gross proceeds of approximately \$5.4 million in our registered direct offering. In January 2024, we received gross proceeds of \$600,000 from the issuance of promissory notes and common stock purchase warrants to certain accredited investors. In February 2024, we received gross proceeds of approximately \$10.0 million from the public offering of 1,025,600 units, with each unit consisting of one share of common stock (or pre-funded warrant in lieu thereof) and one warrant, each to purchase one (1) share of common stock. In March 2024 we received gross proceeds of approximately \$2.3 million from the issuance of 417,833 shares of common stock, 93,342 pre-funded common stock warrants and the issuance of 511,175 warrants to purchase common stock. We will need to raise additional proceeds via the issuance of equity securities and/or the sale of debt instruments in the remainder of 2025 and 2026 to fund operations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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 required by this Item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission ("SEC") rules and forms and to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based on the foregoing evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the three months ended June 30, 2025 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

From time to time we may be involved in various claims and legal actions arising in the ordinary course of our business. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, or any of our subsidiaries in which an adverse decision could have a material adverse effect upon our business, operating results, or financial condition.

Item 1A. Risk Factors

As a smaller reporting company, the Company is not required to include the disclosure required under this Item 1A.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On July 25, 2025, the Company entered into a subscription agreement (the “Subscription Agreement”) with a certain investor, pursuant to which the Company is offering an aggregate of 284,091 unregistered shares of the Company’s common stock (the “Subscription Securities”) in a private placement, for an aggregate subscription amount of \$250,000.08. The Subscription Securities are subject to certain transfer restrictions pursuant to the Subscription Agreement. The Subscription Agreement includes customary representations and warranties and various customary covenants and closing conditions that are subject to certain limitations.

All other information required by Item 701 of Regulation S-K as to all unregistered sales of equity securities of the Company during the period covered by this Report have previously been included in Current Reports on Form 8-K filed with the SEC.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Description
2.1	Third Amendment to Asset Purchase Agreement, by and among the Company and CompuSystems, Inc., dated as of March 31, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 2, 2025).
2.2	Fourth Amendment to Asset Purchase Agreement, by and among the Company and CompuSystems, Inc., dated as of May 14, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 15, 2025).
3.1	Certificate of Amendment to the Company's Certificate of Incorporation, filed with the Secretary of State of the State of Delaware on March 25, 2024 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 26, 2024).
3.2	Certificate of Amendment to the Company's Certificate of Incorporation, filed with the Secretary of State of the State of Delaware on April 12, 2024 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 12, 2024).
4.1	Form of Common Stock Purchase Warrant (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 19, 2024).
4.2	Form of Common Stock Purchase Warrant (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 23, 2024).
4.3	Form of Common Stock Purchase Warrant (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 30, 2024).
4.4	Form of Common Stock Purchase Warrant (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 15, 2024).
4.5	Form of Common Stock Purchase Warrant (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 17, 2024).
4.6	Form of Common Stock Purchase Warrant (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 31, 2025).
4.7	Form of Senior Secured Convertible Promissory Note (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 31, 2025).
4.8	Form of Common Stock Purchase Warrant (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2025).
4.9	Form of Senior Secured Convertible Promissory Note (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2025).
4.10	Form of Initial Convertible Promissory Note (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 20, 2025).
4.11	Form of First Convertible Promissory Note (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 20, 2025).
4.12	Form of Second Convertible Promissory Note (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 20, 2025).
4.13	Form of Senior Secured Convertible Promissory Note (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 31, 2025).
10.1	Placement Agency Agreement, dated as of April 17, 2024, by and between the Company and Maxim Group LLC, as placement agent (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 18, 2024).
10.2	Form of Securities Purchase Agreement, by and among the Company and certain purchasers, dated April 17, 2024 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 18, 2024).
10.3	Placement Agency Agreement, dated as of April 19, 2024, by and between the Company and Maxim Group LLC, as placement agent (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 23, 2024).
10.4	Form of Securities Purchase Agreement, by and among the Company and certain purchasers, dated April 19, 2024 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 23, 2024).
10.5	Placement Agency Agreement, dated as of April 26, 2024, by and between the Company and Maxim Group LLC, as placement agent (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 30, 2024).
10.6	Form of Securities Purchase Agreement, by and among the Company and certain purchasers, dated April 26, 2024 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 30, 2024).

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10.7	<u>Placement Agency Agreement, dated as of May 13, 2024, by and between the Company and Maxim Group LLC, as placement agent (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 15, 2024).</u>
10.8	<u>Form of Securities Purchase Agreement, by and among the Company and certain purchasers, dated May 13, 2024 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 15, 2024).</u>
10.9	<u>Placement Agency Agreement, dated as of May 15, 2024, by and between the Company and Maxim Group LLC, as placement agent (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 17, 2024).</u>
10.10	<u>Form of Securities Purchase Agreement, by and among the Company and certain purchasers, dated May 15, 2024 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 17, 2024).</u>
10.11	<u>Form of Securities Purchase Agreement, by and among the Company and certain purchasers, dated March 31, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 31, 2025).</u>
10.12	<u>Placement Agency Agreement, dated as of March 31, 2025, by and between the Company and Maxim Group LLC, as placement agent (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 31, 2025).</u>
10.13	<u>Form of Security Agreement, by and among the Company and certain note holders, dated March 31, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 31, 2025).</u>
10.14	<u>Form of Subsidiary Guarantee, by and among the Company and certain note holders, dated March 31, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 31, 2025).</u>
10.15	<u>Datavault Lock-Up Agreement, dated April 9, 2025, by and between the Company and NYIAX, Inc. (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 9, 2025).</u>
10.16	<u>Additional Lock-Up Agreement, dated April 9, 2025, by and between the Company and NYIAX, Inc. (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 9, 2025).</u>
10.17	<u>Consideration Lock-Up Agreement, dated April 9, 2025, by and between the Company and NYIAX, Inc. (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 9, 2025).</u>
10.18	<u>Closing Lock-Up Agreement, dated April 9, 2025, by and between the Company and NYIAX, Inc. (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 9, 2025).</u>
10.19	<u>Purchase Commitment for Programs, effective as of June 30, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 11, 2025).</u>
10.20	<u>Cloud Services Subscription Transaction Document, effective as of June 30, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 11, 2025).</u>
10.21	<u>Stock Purchase Agreement, by and among the Company and the Sellers, dated July 13, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 17, 2025).</u>
10.22	<u>Equity Distribution Agreement, dated July 21, 2025, by and between the Company and Maxim Group LLC (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 22, 2025).</u>
10.23	<u>Form of Waiver Agreement (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 22, 2025).</u>
10.24	<u>Subscription Agreement, dated as of July 25, 2025, by and between the Company and the Subscriber thereto.</u>
10.25	<u>Web Access IP Purchase Agreement, dated as of July 30, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 31, 2025).</u>
10.26	<u>Registration Rights Agreement, dated as of July 30, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 31, 2025).</u>
10.27	<u>Form of Securities Purchase Agreement, by and among the Company and certain purchasers, dated August 4, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 4, 2025).</u>
10.28	<u>Placement Agency Agreement, dated as of August 4, 2025, by and between the Company and Maxim Group LLC, as placement agent (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 4, 2025).</u>
10.29	<u>Form of Security Agreement, by and among the Company and certain note holders, (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 4, 2025).</u>
10.30	<u>Form of Subsidiary Guarantee, by and among the Company and certain note holders (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 4, 2025).</u>
10.31	<u>Form of Exchange Agreement, by and among the Company and certain warrant holders, dated August 4, 2025 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 4, 2025).</u>
10.32	<u>Form of Note Amendment (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 4, 2025).</u>

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31.1	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
31.2	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
32.1	<u>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 (furnished herewith).</u>
32.2	<u>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 (furnished herewith).</u>
101	Interactive Data Files (embedded within the Inline XBRL document)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

Datavault AI Inc.

Date: August 19, 2025

By: /s/ Nathaniel Bradley

Name: Nathaniel Bradley

Chief Executive Officer

(Duly Authorized Officer and Principal Executive Officer)

Date: August 19, 2025

By: /s/ Brett Moyer

Name: Brett Moyer

Title: Chief Financial Officer

(Principal Financial Officer)

EXCHANGE AGREEMENT

THIS EXCHANGE AGREEMENT (the “Agreement”) is dated August 4, 2025, by and between Datavault AI, Inc., a Delaware corporation (the “Company”) and the undersigned holder (the “Holder”).

WHEREAS, the Holder beneficially owns and holds common stock purchase warrants (the “Original Warrants”) of the Company exercisable for a certain aggregate number of shares of the Company’s common stock, par value \$0.0001 per share (“Common Stock”);

WHEREAS, the Holder desires to exchange (the “Exchange”) the Original Warrants for the same number of shares of Common Stock (the “New Shares”) and the Company desires to issue the New Shares in exchange for the Original Warrants, all on the terms and conditions set forth in this Agreement in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended (the “Securities Act”); and

WHEREAS, upon the consummation of the transactions contemplated hereby, the Holder shall no longer own the Original Warrants, and the Company shall cancel the certificate(s) and other physical documents evidencing the ownership of the Original Warrants.

NOW, THEREFORE, in consideration of the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Holder hereby agree as follows:

Section 1. Exchange. Subject to and upon the terms and conditions set forth in this Agreement, the Holder agrees to surrender to the Company the Original Warrants without the payment of any other consideration by such Holder that would not be consistent with the application of Section 3(a)(9) of the Securities Act to the issuance of the New Shares and, in exchange therefor, the Company shall issue to the Holder the New Shares.

1.1 Closing. On the Closing Date (as defined below), the Company will issue the New Shares to the Holder, or in the name of a custodian or nominee of the Holder, or as otherwise requested by the Holder in writing, and the Original Warrants will be deemed to have been surrendered by the Holder to the Company for cancellation. The closing of the Exchange shall occur on the Initial Closing Date (as defined in the Securities Purchase Agreement, dated the date hereof, by and between the Company and the purchasers signatory thereto (the “Purchase Agreement”)) (the “Closing Date”), subject to the provisions of Section 4 and Section 5 herein. In the event and to the extent that the Holder’s right to receive the New Shares would result in the Holder exceeding its Maximum Percentage (as defined in the Holder’s Original Warrants), then the Holder shall not be entitled to receive the New Shares to such extent and the portion of such New Shares shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding its Maximum Percentage.

1.2 Section 3(a)(9). Assuming the accuracy of the representations and warranties of each of the Company and the Holder as set forth in Sections 2 and 3 of this Agreement, the parties acknowledge and agree that the purpose of such representations and warranties is, among other things, to ensure that the Exchange qualifies as an exchange of securities under Section 3(a)(9) of the Securities Act.

Section 2. Representations and Warranties of the Company. The Company represents and warrants to the Holder that:

2.1 Organization and Qualification. The Company is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company, nor any subsidiary of the Company as set forth in the SEC Reports (as defined below) (a "Subsidiary") is in violation or default of any of the provisions of its respective certificate or certificates of incorporation, bylaws or other organizational or charter documents. Each of the Company is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company, taken as a whole (a "Material Adverse Effect").

2.2 Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith. This Agreement has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally; (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

2.3 Issuance of New Shares. The New Shares, when issued in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable, free and clear of any options, contracts, agreements, liens, security interests, or other encumbrances (collectively, "Liens"). Upon issuance in

accordance herewith, the issuance by the Company of the New Shares is exempt from the registration requirements of the Securities Act under Section 3(a)(9) of the Securities Act.

2.4 No Conflicts. The execution, delivery and performance by the Company of this Agreement, the issuance of the New Shares and the consummation by it of the transactions contemplated hereby and thereby do not and will not conflict with or violate any provision of the Company's certificate of incorporation, bylaws or other organizational or charter documents.

2.5 Acknowledgment Regarding the Exchange. The Company acknowledges and agrees that the Holder is acting solely in the capacity of an arm's length third party with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges the Holder is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby, and any advice given by the Holder or any of its representatives or agents in connection with this Agreement is merely incidental to the Exchange.

2.6 No Commission; No Other Consideration. The Company has not paid or given, and has not agreed to pay or give, directly or indirectly, any commission or other remuneration for soliciting the Exchange. The New Shares are being conveyed exclusively for the exchange of the Original Warrants and no other consideration has or will be paid for the New Shares.

2.7 3(a)(9) Representation. The Company has not, nor has any Person acting on its behalf, directly or indirectly made any offers or sales of any security or solicited any offers to buy any security under circumstances that would cause the Exchange and the issuance of the New Shares pursuant to this Agreement to be integrated with prior offerings by the Company for purposes of the Securities Act which would prevent the Company from delivering the New Shares to the Holder pursuant to Section 3(a)(9) of the Securities Act, nor will the Company take any action or steps that would cause the Exchange, issuance and delivery of the New Shares to be integrated with other offerings to the effect that the delivery of the New Shares to the Holder would be seen not to be exempt pursuant to Section 3(a)(9) of the Securities Act. As used in this Agreement, "Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

2.8 No Third-party Advisors. Other than legal counsel, the Company has not engaged any third parties to assist in the solicitation with respect to the Exchange.

2.9 SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act of 1934, as amended (the

“Exchange Act”), including pursuant to Section 13(a) or 15(d) of the Exchange Act, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the “SEC Reports”) on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension.

2.10 [Reserved].

2.11 Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of this Agreement.

2.12 Capitalization. The capitalization of the Company is as set forth in the SEC Reports. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by this Agreement. Except as set forth in the SEC Reports, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents. The issuance of the New Shares will not obligate the Company to issue shares of Common Stock or other securities to any Person (other than the holder thereof) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance of the New Shares. There are no stockholders’ agreements or other similar agreements with respect to the Company’s capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company’s stockholders.

2.13 Shell Company Status. The Company is not currently, and within the past three years has not been, an issuer identified in Rule 144(i)(1) under the Securities Act.

2.14 DTC Eligibility. The Company, through the Transfer Agent, currently participates in the DTC Fast Automated Securities Transfer (FAST) Program and

shares of Common Stock can be transferred electronically to third parties via the DTC Fast Automated Securities Transfer (FAST) Program.

2.15 Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the New Shares contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least one (1) Trading Day prior to the date that this representation is made, which for purposes of this Agreement, Trading Day shall refer to any day on which The Nasdaq Stock Market LLC is open for trading business. As used in this Agreement, "Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 405 under the Securities Act.

2.16 Litigation. Other than as set forth in the SEC Reports, there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) which (i) adversely affects or challenges the legality, validity or enforceability of any of this Agreement or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect.

2.17 Compliance. Except as set forth in the SEC Reports, neither the Company nor any Subsidiary: (i) is in material default under or in material violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a material default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is

in material default under or that it is in material violation of, any indenture, loan or credit agreement or any other agreement or instrument set forth in the Company's most recent Annual Report on Form 10-K to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in material violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) to its knowledge, is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

2.18 Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

2.19 Transactions with Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from providing for the borrowing of money from or lending of money to, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of \$120,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

2.20 Certain Fees. No brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiaries to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by this Agreement.

2.21 No Integrated Offering. Assuming the accuracy of the Holder's representations and warranties set forth in Section 3, neither the Company, nor any of its Affiliates, nor any Person acting on their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause the Exchange to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would

require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market (as defined in the Purchase Agreement) on which any of the securities of the Company are listed or designated.

2.22 Acknowledgment Regarding Holder's Exchange of the Original Warrants. The Company acknowledges and agrees that the Holder is acting solely in the capacity of an arm's length party with respect to this Agreement and the transactions contemplated thereby.

2.23 Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or Affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

Section 3. Representations and Warranties of the Holder. The Holder represents and warrants to the Company that:

3.1 Ownership of the Original Warrants. The Holder is the legal and beneficial owner of the Original Warrants. The Holder paid for the Original Warrants and has continuously held the Original Warrants since its purchase. The Holder owns the Original Warrants outright and free and clear of any Liens.

3.2 No Public Sale or Distribution. The Holder is acquiring the New Shares in the ordinary course of business for its own account and not with a view toward, or for resale in connection with, the public sale or distribution thereof; provided, however, that by making the representations herein, the Holder does not agree to hold any of the New Shares, for any minimum or other specific term and reserves the right to dispose of the New Shares at any time in accordance with an exemption from the registration requirements of the Securities Act and applicable state securities laws. Except as contemplated herein, the Holder does not presently have any agreement or understanding, directly or indirectly, with any person to distribute, or transfer any interest or grant participation rights in, the Original Warrants or the New Shares.

3.3 Accredited Investor and Affiliate Status. The Holder is an "accredited investor" as that term is defined in Rule 501 of Regulation D under the Securities Act. The Holder is not, and has not been, for a period of at least three months prior to the date of this Agreement (a) an officer or director of the Company, (b) an "affiliate" of the Company (as defined in Rule 144) or (c) a "beneficial owner" of more than ten percent (10%) of shares of Common Stock (as defined for purposes of Rule 13d-3 of the Exchange Act).

3.4 Reliance on Exemptions. The Holder understands that the Exchange is being made in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying

in part upon the truth and accuracy of, and the Holder's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Holder set forth herein in order to determine the availability of such exemptions and the eligibility of the Holder to complete the Exchange and to acquire the New Shares.

3.5 Information. The Holder has been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the Exchange which have been requested by the Holder. The Holder has been afforded the opportunity to ask questions of the Company. Neither such inquiries nor any other due diligence investigations conducted by the Holder or its representatives shall modify, amend or affect the Holder's right to rely on the Company's representations and warranties contained herein. The Holder acknowledges that all of the documents filed by the Company with the SEC under Sections 13(a), 14(a) or 15(d) of the Exchange Act that have been posted on the SEC's EDGAR site are available to the Holder, and the Holder has not relied on any statement of the Company not contained in such documents in connection with the Holder's decision to enter into this Agreement and the Exchange.

3.6 Risk. The Holder understands that its investment in the New Shares involves a high degree of risk. The Holder is able to bear the risk of an investment in the New Shares including, without limitation, the risk of total loss of its investment. The Holder has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to the Exchange.

3.7 No Governmental Review. The Holder understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement in connection with the Exchange or the fairness or suitability of the investment in the New Shares nor have such authorities passed upon or endorsed the merits of the New Shares.

3.8 Organization; Authority; Validity; Enforcement. The Holder is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and performance by the Holder of the transactions contemplated by this Agreement has been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of the Holder. This Agreement has been duly executed by the Holder, and when delivered by the Holder in accordance with the terms hereof, will constitute the valid and legally binding obligation of the Holder, enforceable against the Holder in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of

creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law. The execution, delivery and performance of this Agreement by the Holder and the consummation by the Holder of the transactions contemplated hereby (including, without limitation, the irrevocable surrender of the Original Warrants) will not result in a violation of the organizational documents of the Holder if the Holder is an entity.

3.9 Prior Investment Experience. The Holder acknowledges that it has prior investment experience, including investment in securities of the type being exchanged, including the Original Warrants and the New Shares, and has read all of the documents furnished or made available by the Company to it and is able to evaluate the merits and risks of such an investment on its behalf, and that it recognizes the highly speculative nature of this investment.

3.10 Tax Consequences. The Holder acknowledges that the Company has made no representation regarding the potential or actual tax consequences for the Holder which will result from entering into the Agreement and from consummation of the Exchange. The Holder acknowledges that it bears complete responsibility for obtaining adequate tax advice regarding the Agreement and the Exchange.

3.11 No Registration, Review or Approval. The Holder acknowledges, understands and agrees that the Original Warrants are being exchanged hereunder pursuant to an exemption from the registration requirements of the Securities Act under Section 3(a)(9) thereof.

Section 4. Conditions Precedent to Obligations of the Company. The obligation of the Company to consummate the transactions contemplated by this Agreement is subject to the satisfaction of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing the Holder with prior written notice thereof:

4.1 No Prohibition. No order of any court, arbitrator, or governmental or regulatory authority shall be in effect which purports to enjoin or restrain any of the transactions contemplated by this Agreement; and

4.2 Representations. The accuracy in all material respects when made and on the Closing Date of the representations and warranties of the Holder contained herein (unless as of a specific date therein);

Section 5. Conditions Precedent to Obligations of the Holder. The obligation of the Holder to consummate the transactions contemplated by this Agreement is subject to the satisfaction of each of the following conditions, provided that these conditions are for the Holder's sole benefit and may be waived by the Holder at any time in its sole discretion by providing the Company with prior written notice thereof:

5.1 No Prohibition. No order of any court, arbitrator, or governmental or regulatory authority shall be in effect which purports to enjoin or restrain any of the transactions contemplated by this Agreement;

5.2 Representations. The representations and warranties of the Company (i) shall be true and correct in all material respects when made and on the Closing Date (unless as of a specific date therein) for such representations and warranties contained herein that are not qualified by “materiality” or “Material Adverse Effect” and (ii) shall be true and correct when made and on the Closing Date (unless as of specific date therein) for such representations and warranties contained herein that are qualified by “materiality” or “Material Adverse Effect”;

5.3 All Obligations. All obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed; and

5.4 No Suspension. From the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the SEC or any Trading Market and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any trading market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of the Holder makes it impracticable or inadvisable to purchase the New Shares at the closing.

Section 6. Other Agreements between the Parties.

6.1 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the Exchange of the Original Warrants in a manner that would require the registration under the Securities Act of the sale of the New Shares or that would be integrated with the offer of the New Shares for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

6.2 Replacement of Securities. If any certificate or instrument evidencing the New Shares are mutilated, lost, stolen or destroyed, the Company shall convey or cause to be conveyed in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The

applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

Section 7. Governing Law; Jurisdiction; Waiver of Jury Trial. This Agreement shall be construed under the laws of the state of New York, without regard to principles of conflicts of law or choice of law that would permit or require the application of the laws of another jurisdiction. The Company and the Holder each hereby agrees that all actions or proceedings arising directly or indirectly from or in connection with this Agreement shall be litigated only in the Supreme Court of the State of New York or the United States District Court for the Southern District of New York located in New York County, New York. The Company and the Holder each consents to the exclusive jurisdiction and venue of the foregoing courts and consents that any process or notice of motion or other application to either of said courts or a judge thereof may be served inside or outside the State of New York or the Southern District of New York by generally recognized overnight courier or certified or registered mail, return receipt requested, directed to such party at its or his address set forth below (and service so made shall be deemed "personal service") or by personal service or in such other manner as may be permissible under the rules of said courts. THE COMPANY AND THE HOLDER EACH HEREBY WAIVES ANY RIGHT TO A JURY TRIAL IN CONNECTION WITH ANY LITIGATION PURSUANT TO THIS AGREEMENT.

Section 8. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that an electronic signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not an electronic signature.

Section 9. Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

Section 10. Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

Section 11. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

Section 12. Entire Agreement; Amendments. This Agreement supersedes all other prior oral or written agreements between the Holder, the Company, their Affiliates and persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein. No provision of this Agreement may be amended other than by an instrument in writing signed by the Company

and the Holder. No provision hereof may be waived other than by an instrument in writing signed by the party against whom enforcement is sought.

Section 13. Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (a) upon receipt, when delivered personally; (b) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (c) one calendar day (excluding Saturdays, Sundays, and national banking holidays) after deposit with an overnight courier service, in each case properly addressed to the party to receive the same.

The addresses and facsimile numbers for such communications shall be:

If to the Company:

Datavault AI, Inc.
Attn: Brett Moyer, Chief Financial Officer
15268 NW Greenbrier Pkwy
Beaverton, Oregon 97006

If to the Holder:

to the address set forth on its signature block.

or to such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change.

Section 14. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any purchasers of the New Shares. Subject to its compliance with applicable federal and state securities laws, the Holder may assign some or all of its rights hereunder without the consent of the Company, in which event such assignee shall be deemed to be the Holder hereunder with respect to such assigned rights.

Section 15. No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

Section 16. Survival of Representations. The representations and warranties of the Company and the Holder contained in Sections 2 and 3, respectively, will survive the closing of the transactions contemplated by this Agreement.

Section 17. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may

reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Datavault AI, Inc.

By: _____
Name: Brett Moyer
Title: Chief Financial Officer

[Company signature page to the Exchange Agreement]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Gregory Castaldo

Address for notice purposes:

[Holder Signature Page to the Exchange Agreement]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Joseph Reda

Address for notice purposes:

[Holder Signature Page to the Exchange Agreement]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

SEG Opportunity Fund, LLC

By: _____
Name: Joseph Reda
Title: Manager

Address for notice purposes:

[Holder Signature Page to the Exchange Agreement]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Anson Investments Master Fund LP

By: _____

Name: Amin Nathoo

Title: Director, Anson Advisors Inc.

Address for notice purposes:

[Holder Signature Page to the Exchange Agreement]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Anson East Master Fund LP

By: _____

Name: Amin Nathoo

Title: Director, Anson Advisors Inc.

Address for notice purposes:

[Holder Signature Page to the Exchange Agreement]

**CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Nathaniel Bradley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Datavault AI 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) 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: August 19, 2025

/s/ Nathaniel Bradley

Name: Nathaniel Bradley

Title: Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Brett Moyer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Datavault AI 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) 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: August 19, 2025

/s/ Brett Moyer

Name: Brett Moyer

Title: Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Datavault AI Inc. (the “Company”) for the period ended June 30, 2025 (the “Report”), I, Nathaniel Bradley, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 19, 2025

/s/ Nathaniel Bradley

Name: Nathaniel Bradley

Title: Chief Executive Officer
(Principal Executive Officer)

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 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report on Form 10-Q of Datavault AI Inc. (the "Company") for the period ended June 30, 2025 (the "Report"), I, Brett Moyer, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 19, 2025

/s/ Brett Moyer

Name: Brett Moyer

Title: Chief Financial Officer
(Principal Financial Officer)

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 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.
