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

# Form 10-Q

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

For the quarterly period ended March 31, 2024

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: 001-36426

# AquaBounty Technologies, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **04-3156167** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**233 Ayer Road, Suite 4**
**Harvard, Massachusetts 01451**
**(978) 648-6000**
(Address and telephone number of the registrant's principal executive offices)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, par value $0.001 per share** | **AQB** | **The NASDAQ Stock Market LLC** |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to 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 (§232.405 of this chapter) of Regulation S-T 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 ☒

At May 13, 2024, the registrant had 3,857,444 shares of common stock, par value $0.001 per share ("Common Shares") outstanding.

# AquaBounty Technologies, Inc.
**FORM 10-Q**
**For the Quarterly Period Ended March 31, 2024**

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## Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. All statements other than present and historical facts and conditions contained in the Quarterly Report on Form 10-Q are forward-looking statements, including statements regarding our future results of operations and financial position, business strategy, plans, and our objectives for future operations, are forward-looking statements. We sometimes use the words "anticipate," "believe," "can," "could," "estimate," "expect," "intend," "is designed to," "may," "might," "plan," "potential," "predict," "objective," "should," or the negative of these and similar expressions to identify forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates, and projections. While we believe these expectations, assumptions, estimates, and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks, uncertainties, and other factors, many of which are outside of our control, which could cause our actual results, performance, or achievements to differ materially from any results, performance, or achievements expressed or implied by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: our history of net losses and the likelihood of future net losses; our ability to continue as a going concern; our ability to raise substantial additional capital on acceptable terms, or at all, which is required to implement our business strategy as planned, or at all; our ability to raise additional funds in sufficient amounts on a timely basis, on acceptable terms, or at all; our ability to attract and retain key personnel, including key management personnel; our ability to retain and reengage key vendors and engage additional vendors, as needed; our ability to obtain approvals and permits to construct and operate our farms without delay; increases in interest rates; delays and defects that may prevent the commencement of farm operations; rising inflation rates; our ability to finance our Ohio farm through the placement of municipal bonds, which may require restrictive debt covenants that could limit our control over the farm's operation and restrict our ability to utilize any cash that the farm generates; our ability to manage our growth, which could adversely affect our business; risks related to potential strategic acquisitions, investments or mergers; high customer concentration, which exposes us to various risks faced by our major customers; ethical, legal, and social concerns about genetically engineered products; our ability to gain consumer acceptance of our genetically engineered Atlantic salmon ("GE Atlantic salmon" or "AquAdvantage salmon") product; the quality and quantity of the salmon that we harvest; a significant fish mortality event in our broodstock or our production facilities; the loss of our GE Atlantic salmon broodstock; disease outbreaks, which can increase the cost of production and/or reduce production harvests; a shutdown, material damage to any of our farms, or lack of availability of power, fuel, oxygen, eggs, water, or other key components needed for our operations; our ability to efficiently and cost-effectively produce and sell salmon at large commercial scale; any contamination of our products, which could subject us to product liability claims and product recalls; security breaches, cyber-attacks and other disruptions could compromise our information, expose us to fraud or liability, or interrupt our operations; our dependence on third parties for the processing, distribution, and sale of our products; any write-downs of the value of our inventory; business, political, or economic disruptions or global health concerns; adverse developments affecting the financial services industry; industry volatility, including fluctuations in commodity prices of salmon; restrictions on Atlantic salmon farming in certain states; agreements that require us to pay a significant portion of our future revenue to third parties; our ability to receive additional government research grants and loans; international business risks, including exchange rate fluctuations; our ability to use net operating losses and other tax attributes, which may be subject to certain limitations; our ability to maintain regulatory approvals for our GE Atlantic salmon and our farm sites and obtain new approvals for farm sites and the sale of our products in other markets; our ability to continue to comply with U.S. Food and Drug Administration regulations and foreign regulations; significant regulations in the markets in which we intend to sell our products; significant costs complying with environmental, health, and safety laws and regulations, and any failure to comply with these laws and regulations; increasing regulation, changes in existing regulations, and review of existing regulatory decisions; lawsuits by non-governmental organizations and others who are opposed to the development or commercialization of genetically engineered products; risks related to the use of the term "genetically engineered," which will need to be included as part of the acceptable market name for our GE Atlantic salmon, and bioengineering disclosures provided in accordance with U.S. Department of Agriculture regulations; competitors and potential competitors may develop products and technologies that make ours obsolete or garner greater market share than ours; any theft, misappropriation, or reverse engineering of our products could result in competing technologies or products; our ability to protect our proprietary technologies and intellectual property rights; our ability to enforce our intellectual property rights; volatility in the price of our shares of common stock; our ability to maintain our listing on the Nasdaq Stock Market LLC ("Nasdaq"); our success in growing, or our perceived ability to grow, our GE Atlantic salmon successfully and profitably at commercial scale; an active trading market for our common stock may not be sustained; our status as a "smaller reporting company" and a "non-accelerated filer" may cause our shares of common stock to be less attractive to investors; any issuance of preferred stock with terms that could dilute the voting power or reduce the value of our common stock; provisions in our corporate documents and Delaware law could have the effect of delaying, deferring, or preventing a change in control of us; our expectation of not paying cash dividends in the foreseeable future and other risks identified in our public filings with the Securities and Exchange Commission ("SEC"), including the section titled "Risk Factors" in this Quarterly Report on Form 10-Q, our most recently filed Annual Report on Form 10-K and our Current Reports on Form 8-K, as updated by our subsequent filings with the SEC. New risks emerge from time to time, and it is not possible for us to predict all such risks. Given these risks and uncertainties, may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you are cautioned not to place undue reliance on such forward-looking statements.

These forward-looking statements are made only as of the date of this Quarterly Report on Form 10-Q. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments unless required by federal securities law.

## Reverse Stock Split

On October 12, 2023, the stockholders of the Company approved a reverse stock split of the Company’s common stock, and the Board of Directors approved a split ratio of 1-for-20. The reverse stock split was implemented on October 16, 2023. In conjunction with the reverse stock split, the number of shares of common stock authorized for issuance was reduced from 150 million to 75 million. All share and per share information, as well as other related information on equity instruments in this Quarterly Report on Form 10-Q have been adjusted to reflect this change.

# PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

### AquaBounty Technologies, Inc.
### Condensed Consolidated Balance Sheets
### (Unaudited)

| | as of | |
|---|---|---|
| | March 31, 2024 | December 31, 2023 |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ **2,592,467** | $ 8,203,869 |
| Inventory | **472,087** | 1,733,603 |
| Prepaid expenses and other current assets | **1,262,582** | 1,700,273 |
| Total current assets | **4,327,136** | 11,637,745 |
| | | |
| Property, plant and equipment, net | **170,336,285** | 174,381,382 |
| Right of use assets, net | **273,575** | 281,104 |
| Intangible assets, net | **201,010** | 204,436 |
| Restricted cash | **1,000,000** | 1,000,000 |
| Other assets | **46,051** | 46,761 |
| Total assets | $ **176,184,057** | $ 187,551,428 |
| | | |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ **13,106,204** | $ 12,991,819 |
| Accrued employee compensation | **556,963** | 754,621 |
| Current debt | **3,024,575** | 795,300 |
| Other current liabilities | **106,112** | 30,863 |
| Total current liabilities | **16,793,854** | 14,572,603 |
| | | |
| Long-term lease obligations | **242,236** | 250,241 |
| Long-term debt, net | **5,300,649** | 7,711,866 |
| Total liabilities | **22,336,739** | 22,534,710 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' equity: | | |
| Common stock, $0.001 par value, 75,000,000 shares authorized; 3,857,444 and 3,847,022 shares outstanding at March 31, 2024 and December 31, 2023, respectively | **3,857** | 3,847 |
| Additional paid-in capital | **386,103,358** | 385,998,213 |
| Accumulated other comprehensive loss | **(521,771)** | (405,464) |
| Accumulated deficit | **(231,738,126)** | (220,579,878) |
| Total stockholders' equity | **153,847,318** | 165,016,718 |
| | | |
| Total liabilities and stockholders' equity | $ **176,184,057** | $ 187,551,428 |

See accompanying notes to these condensed consolidated financial statements.

# AquaBounty Technologies, Inc.
## Condensed Consolidated Statements of Operations and Comprehensive Loss
## (Unaudited)

| | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|
| **Revenues** | | |
| Product revenues | $ 477,268 | $ 397,846 |
| | | |
| **Costs and expenses** | | |
| Product costs | 4,476,297 | 3,559,240 |
| Sales and marketing | 63,963 | 198,285 |
| Research and development | 119,789 | 122,917 |
| General and administrative | 2,500,557 | 3,000,482 |
| Long-lived asset impairment | 4,265,000 | — |
| Total costs and expenses | 11,425,606 | 6,880,924 |
| | | |
| **Operating loss** | (10,948,338) | (6,483,078) |
| | | |
| **Other expense** | | |
| Interest expense | (208,563) | (66,274) |
| Other (expense) income, net | (1,347) | 63,284 |
| Total other expense | (209,910) | (2,990) |
| | | |
| **Net loss** | $ (11,158,248) | $ (6,486,068) |
| | | |
| **Other comprehensive (loss) income:** | | |
| Foreign currency translation (loss) gain | (116,307) | 4,427 |
| Total other comprehensive (loss) income | (116,307) | 4,427 |
| | | |
| **Comprehensive loss** | $ (11,274,555) | $ (6,481,641) |
| | | |
| Basic and diluted net loss per share | $ (2.90) | $ (1.69) |
| Weighted average number of Common Shares - basic and diluted | 3,849,248 | 3,837,272 |

See accompanying notes to these condensed consolidated financial statements.

# AquaBounty Technologies, Inc.
## Condensed Consolidated Statements of Changes in Stockholders' Equity
## (Unaudited)

| | Common stock issued and outstanding | Par value | Additional paid-in capital | Accumulated other comprehensive loss | Accumulated deficit | Total |
|---|---|---|---|---|---|---|
| Balance at December 31, 2022 | 3,834,383 | $ 3,834 | $ 385,455,961 | $ (516,775) | $ (193,021,977) | $ 191,921,043 |
| Net loss | | | | | (6,486,068) | (6,486,068) |
| Other comprehensive income | | | | 4,427 | | 4,427 |
| Share-based compensation | 11,423 | 12 | 196,629 | | | 196,641 |
| Balance at March 31, 2023 | 3,845,806 | $ 3,846 | $ 385,652,590 | $ (512,348) | $ (199,508,045) | $ 185,636,043 |

| | Common stock issued and outstanding | Par value | Additional paid-in capital | Accumulated other comprehensive loss | Accumulated deficit | Total |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2023** | **3,847,022** | **$ 3,847** | **$ 385,998,213** | **$ (405,464)** | **$ (220,579,878)** | **$ 165,016,718** |
| **Net loss** | | | | | **(11,158,248)** | **(11,158,248)** |
| **Other comprehensive loss** | | | | **(116,307)** | | **(116,307)** |
| **Share-based compensation** | **10,422** | **10** | **105,145** | | | **105,155** |
| **Balance at March 31, 2024** | **3,857,444** | **$ 3,857** | **$ 386,103,358** | **$ (521,771)** | **$ (231,738,126)** | **$ 153,847,318** |

See accompanying notes to these condensed consolidated financial statements.

# AquaBounty Technologies, Inc.
# Condensed Consolidated Statements of Cash Flows
# (Unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| **Operating activities** | | |
| Net loss | **$ (11,158,248)** | $ (6,486,068) |
| Adjustment to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | **575,544** | 531,726 |
| Share-based compensation | **105,155** | 196,641 |
| Long-lived asset impairment | **4,265,000** | — |
| Other non-cash charge | **3,390** | 3,834 |
| Changes in operating assets and liabilities: | | |
| Inventory | **1,257,290** | (99,936) |
| Prepaid expenses and other assets | **441,015** | (155,167) |
| Accounts payable and accrued liabilities | **335,835** | 184,232 |
| Accrued employee compensation | **(197,658)** | (316,815) |
| Net cash used in operating activities | **(4,372,677)** | (6,141,553) |
| | | |
| **Investing activities** | | |
| Purchases of and deposits on property, plant and equipment | **(1,169,203)** | (22,931,293) |
| Other investing activities | **—** | (3,959) |
| Net cash used in investing activities | **(1,169,203)** | (22,935,252) |
| | | |
| **Financing activities** | | |
| Proceeds from issuance of debt | **117,292** | 394,156 |
| Repayment of term debt | **(184,019)** | (179,392) |
| Net cash (used in) provided by financing activities | **(66,727)** | 214,764 |
| | | |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | **(2,795)** | 27 |
| Net change in cash, cash equivalents and restricted cash | **(5,611,402)** | (28,862,014) |
| Cash, cash equivalents and restricted cash at beginning of period | **9,203,869** | 102,638,557 |
| **Cash, cash equivalents and restricted cash at end of period** | **$ 3,592,467** | $ 73,776,543 |
| | | |
| **Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheet:** | | |
| Cash and cash equivalents | **$ 2,592,467** | $ 72,776,543 |
| Restricted cash | **1,000,000** | 1,000,000 |
| Total cash, cash equivalents and restricted cash | **$ 3,592,467** | $ 73,776,543 |
| | | |
| **Supplemental disclosure of cash flow information and non-cash transactions:** | | |
| Interest paid in cash | **$ 205,173** | $ 62,439 |
| Property and equipment included in accounts payable and accrued liabilities | **$ 11,464,684** | $ 9,216,027 |

See accompanying notes to these condensed consolidated financial statements.

# AquaBounty Technologies, Inc.
## Notes to the condensed consolidated financial statements
**(unaudited)**

**1. Nature of business and organization**

AquaBounty Technologies, Inc. (the "Parent" and, together with its wholly owned subsidiaries, the "Company") was incorporated in December 1991 in the State of Delaware for the purpose of conducting research and development of the commercial viability of a group of proteins commonly known as antifreeze proteins. In 1996, the Parent obtained the exclusive licensing rights for a gene construct (transgene) used to create a breed of farm-raised Atlantic salmon that exhibit growth rates that are substantially faster than conventional Atlantic salmon. In 2015, the Parent obtained regulatory approval from the U.S. Food and Drug Administration ("FDA") for the production and sale of its genetically engineered AquAdvantage salmon product ("GE Atlantic salmon") in the United States, and in 2016, the Parent obtained regulatory approval from Health Canada for the production and sale of its GE Atlantic salmon product in Canada. In 2021, the Parent obtained regulatory approval from the National Biosafety Technical Commission for the sale of its GE Atlantic salmon product in Brazil. In 2021, the Company began harvesting and selling its GE Atlantic salmon in the United States and Canada.

In February 2024, the Company commenced a process to identify a potential buyer for its Indiana farm. This decision resulted in a $4.3 million non-cash impairment of long-lived assets and a $1.0 million net realizable value adjustment of inventory at the Indiana farm. As of March 31, 2024, the Indiana farm was not available for immediate sale in its present condition, as the Company needs to complete additional system shut down processes. Therefore, the related long-lived assets continued to be classified as held in use.

**2. Going Concern Uncertainty**

Since inception, the Company has incurred cumulative net losses and negative cash flows from operations and expects that this will continue for the foreseeable future. As of March 31, 2024, the Company has $3.6 million in cash and cash equivalents, and restricted cash.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital, and there can be no assurance that such capital will be available in sufficient amounts, on a timely basis, or on terms acceptable to the Company, or at all. This raises substantial doubt about the Company's ability to continue as a going concern within one year after the date that the accompanying condensed consolidated financial statements are issued. The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business and do not include any adjustments that might result from the outcome of this uncertainty. Until such time as the Company reaches profitability, it will require additional financing to fund its operations and execute its business plan.

**3. Basis of presentation**

The unaudited interim condensed consolidated financial statements include the accounts of AquaBounty Technologies, Inc. and its wholly owned direct subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

The unaudited interim condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States ("GAAP") consistent with those applied in, and should be read in conjunction with, the Company's audited financial statements and related notes for the year ended December 31, 2023. The unaudited interim condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the Company's financial position as of March 31, 2024, results of operations and cash flows for the interim periods presented, and are not necessarily indicative of results for subsequent interim periods or for the full year. The unaudited interim condensed consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements, as allowed by the relevant SEC rules and regulations; however, the Company believes that its disclosures are adequate to ensure that the information presented is not misleading.

On October 12, 2023, the stockholders of the Company approved a reverse stock split of the Company's common stock, and the Board of Directors approved a split ratio of 1-for-20. The reverse stock split was implemented on October 16, 2023. In conjunction with the reverse stock split, the number of shares of common stock authorized for issuance was reduced from 150 million to 75 million. All share and per share information, as well as other related information on equity instruments in the unaudited condensed consolidated financial statements and accompanying notes have been adjusted to reflect this change.

**Revenue recognition**

The Company is comprised of one reporting segment and generates revenue from the sale of its products. Revenue is recognized when the customer takes physical control of the goods, in an amount that reflects the transaction price consideration that the Company expects to receive in exchange for the goods. Revenue excludes any sales tax collected and includes any estimate of future credits.

During the three months ended March 31, 2024, the Company recognized the following product revenue:

| | Three Months Ended March 31, 2024 | | |
|---|---|---|---|
| | U.S. | Canada | Total |
| GE Atlantic salmon | $ 395,157 | $ - | $ 395,157 |
| Non-GE Atlantic salmon and fry | | 29,789 | 29,789 |
| Non-GE Atlantic salmon eggs | | 50,402 | 50,402 |
| Other revenue | | 1,920 | 1,920 |
| Total Revenue | $ 395,157 | $ 82,111 | $ 477,268 |

During the three months ended March 31, 2023, the Company recognized the following product revenue:

| | Three Months Ended March 31, 2023 | | |
|---|---|---|---|
| | U.S. | Canada | Total |
| GE Atlantic salmon | $ 392,428 | $ - | $ 392,428 |
| Non-GE Atlantic salmon and fry | | 730 | 730 |
| Non-GE Atlantic salmon eggs | - | 730 | 730 |
| Other revenue | - | 3,958 | 3,958 |
| Total Revenue | $ 392,428 | $ 5,418 | $ 397,846 |

During the three months ended March 31, 2024 and 2023, the Company had the following customer concentration of revenue:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Customer A | 29% | 54% |
| Customer B | 28% | 24% |
| Customer C | 10% | 15% |
| All other | 33% | 7% |
| Total of all customers | 100% | 100% |

**Net loss per share**

Basic and diluted net loss per share available to common stockholders has been calculated by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Basic net loss per share is based solely on the number of shares of common stock outstanding during the period. Fully diluted net loss per share includes the number of shares of common stock issuable upon the exercise of warrants or options with an exercise price less than the fair value of the common stock. Since the Company is reporting a net loss for all periods presented, all potential shares of common stock are considered anti-dilutive and are excluded from the calculation of diluted net loss per share.

The following potentially dilutive securities have been excluded from the calculation of diluted net loss per share, as their effect is anti-dilutive:

| | Three Months Ended March 31, | |
|---|---|---|
| Weighted Average Outstanding | 2024 | 2023 |
| Stock options | 74,670 | 42,035 |
| Warrants | - | 3,721 |
| Unvested stock awards | 31,590 | 12,663 |

**Accounting Pronouncements**

Management does not expect any recently issued, but not yet effective, accounting standards to have a material effect on its results of operations or financial condition.

### 4. Risks and uncertainties

The Company is subject to risks and uncertainties common in the biotechnology and aquaculture industries. Such risks and uncertainties include, but are not limited to: (i) results from current and planned product development studies and trials; (ii) decisions made by the FDA or similar regulatory bodies in other countries with respect to approval and commercial sale of any of the Company's proposed products; (iii) the commercial acceptance of any products approved for sale and the Company's ability to produce, distribute, and sell for a profit any products approved for sale; (iv) the Company's ability to obtain the necessary patents and proprietary rights to effectively protect its technologies; and (v) the outcome of any collaborations or alliances entered into by the Company.

#### Concentration of credit risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents. This risk is mitigated by the Company's policy of maintaining all balances with highly rated financial institutions and investing in cash equivalents with maturities of less than 90 days. The Company's cash balances may at times exceed insurance limitations. The Company holds cash balances in bank accounts located in Canada to fund its local operations. These amounts are subject to foreign currency exchange risk, which is minimized by the Company's policy to limit the balances held in these accounts. Balances in Canadian bank accounts totaled $229 thousand and $227 thousand as of March 31, 2024 and December 31, 2023, respectively.

### 5. Inventory

Major classifications of inventory are summarized as follows:

| | | March 31, 2024 | December 31, 2023 |
|---|---|---|---|
| Feed, net | $ | **138,639** | 167,136 |
| Eggs and fry | | **333,448** | 147,998 |
| Fish in process | | **—** | 1,418,469 |
| Inventory | $ | **472,087** | 1,733,603 |

The Company recorded a feed inventory reserve of $100 thousand at March 31, 2024 for its Indiana farm, in conjunction with the farm's planned sale.

### 6. Prepaid and other current assets

Major classifications of prepaid and other current assets are summarized as follows:

| | | March 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Receivables | $ | **1,028,593** | $ | 1,216,585 |
| Prepaid insurance | | **113,630** | | 388,049 |
| Prepaid supplies | | **109,193** | | 85,988 |
| Deposits and other | | **11,166** | | 9,651 |
| Total prepaid expenses and other current assets | $ | **1,262,582** | $ | 1,700,273 |

**7. Property, plant and equipment**

Major classifications of property, plant and equipment are summarized as follows:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Land | **$ 2,897,883** | $ 2,974,685 |
| Building and improvements | **15,069,323** | 15,804,739 |
| Construction in process | **147,471,299** | 147,755,336 |
| Equipment | **15,848,172** | 18,285,038 |
| Office furniture and equipment | **208,683** | 231,758 |
| Vehicles | **106,137** | 108,120 |
| Total property and equipment | **$ 181,601,497** | $ 185,159,676 |
| Less accumulated depreciation and amortization | **(11,265,212)** | (10,778,294) |
| Property, plant and equipment, net | **$ 170,336,285** | $ 174,381,382 |

Depreciation expense was $572 thousand and $525 thousand, for the three months ended March 31, 2024 and 2023, respectively.

As of March 31, 2024, construction in process included $142.7 million, $4.3 million, and $418 thousand for construction related to the Ohio, Rollo Bay and Indiana farm sites, respectively. An additional $16.3 million has been contractually committed for these farm sites as of March 31, 2024.

In February 2024, the Company commenced a process to identify a potential buyer for its Indiana farm. This decision was determined to be an impairment triggering event for long-lived assets at the Indiana farm, resulting in the impairment of $4.3 million of long-lived assets. The Company determined the impairment charge, based on its estimate of the potential market value of the asset group to be sold, net of selling costs, compared to the current net book value of those assets.

**8. Debt**

| | Interest rate | Monthly repayment | Maturity date | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|---|
| ACOA AIF Grant | 0% | Royalties | - | **$ 2,120,912** | $ 2,166,289 |
| ACOA term loan #1 | 0% | C$3,120 | Feb 2027 | **80,674** | 89,460 |
| ACOA term loan #2 | 0% | C$4,630 | Sep 2029 | **225,641** | 240,946 |
| ACOA term loan #3 | 0% | C$6,945 | Dec 2025 | **107,692** | 125,712 |
| ACOA term loan #4 | 3.0% | C$1,674 | Mar 2034 | **116,864** | — |
| Kubota Canada Ltd. | 0% | C$1,142 | Jan 2025 | **8,437** | 11,202 |
| DFO term loan | 0% | C$14,896 | Jan 2034 | **1,277,854** | 1,305,193 |
| Finance PEI term loan | 6.5% | C$19,913 | Dec 2028 | **1,661,018** | 1,713,837 |
| First Farmers Bank & Trust term loan | 5.4% | $56,832 | Oct 2028 | **2,759,979** | 2,891,763 |
| Total debt | | | | **$ 8,359,071** | $ 8,544,402 |
| less: debt issuance costs | | | | **(33,847)** | (37,236) |
| less: current portion | | | | **(3,024,575)** | (795,300) |
| Long-term debt, net | | | | **$ 5,300,649** | $ 7,711,866 |

In April 2024, the Company paid off the First Farmers Bank & Trust term loan. See note 13 “Subsequent Events” for additional information.

In December 2023, our Canadian subsidiary, AQUA Bounty Canada Inc. (the “Canadian Subsidiary”), entered into a Contribution Agreement with the Atlantic Canada Opportunities Agency, whereby it is eligible to receive up to C$612 thousand ($452 thousand) to support business productivity and scale-up for its Rollo Bay farm (the “ACOA term loan #4”). On February 29, 2024, the Canadian Subsidiary borrowed C$158,246 ($116,864) under the ACOA term loan #4. Borrowings are at a 3% interest rate, and monthly repayments commence in April 2025, with maturity in March 2034.

The Company recognized interest expense of $70 thousand and $66 thousand for the three months ended March 31, 2024 and 2023, respectively, on its interest-bearing debt.

Principal payments due on the long-term debt are as follows:

| | Total |
|---|---|
| 2024 remaining | $ 2,973,136 |
| 2025 | 347,558 |
| 2026 | 293,294 |
| 2027 | 275,921 |
| 2028 | 1,561,760 |
| Thereafter | 2,907,402 |
| Total | $ 8,359,071 |

**9. Leases**

The tables below summarize the Company's outstanding lease liabilities at March 31, 2024 and December 31, 2023 and its lease expense for the three months ended March 31, 2024 and 2023:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Operating lease right-of-use assets, net | **$ 273,575** | $ 281,104 |
| Right-of-use assets obtained for new lease liabilities | **-** | 84,143 |
| | | |
| Other current liabilities | **31,339** | 30,863 |
| Operating lease liabilities | **242,236** | 250,241 |
| Total operating lease liabilities | **$ 273,575** | $ 281,104 |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Operating lease expense | **$ 11,938** | $ 21,501 |
| Short-term lease expense | **-** | - |
| Lease payments included in operating cash flows | **16,308** | 26,145 |
| | | |
| Weighted average remaining lease term | **22.4 years** | 25.8 years |
| Weighted average discount rate | **8%** | 8% |

Remaining payments under leases are as follows:

| Year | Amount |
|---|---|
| 2024 remaining | $ 36,116 |
| 2025 | 49,801 |
| 2026 | 40,373 |
| 2027 | 19,102 |
| 2028 | 19,676 |
| Thereafter | 544,549 |
| Total lease payments | 709,617 |
| Less: imputed interest | (436,042) |
| Total operational lease liabilities | $ 273,575 |

**10. Stockholders' equity**

**Share-based compensation**

At March 31, 2024, the Company has reserved 73,810 and 23,611 shares of common stock issuable upon the exercise of outstanding stock options and unvested stock awards, respectively, under its 2006 and 2016 Equity Incentive Plans. An additional 69,712 shares of common stock are reserved for future equity awards under the 2016 Equity Incentive Plan.

*Unvested Stock Awards*

A summary of the Company's unvested stock awards for the three months ended March 31, 2024, is as follows:

| | Shares | | Weighted average grant date fair value |
|---|---|---|---|
| Unvested at December 31, 2023 | 34,140 | $ | 11.91 |
| Granted | — | | — |
| Vested | (10,422) | | 18.66 |
| Forfeited | (107) | | 13.07 |
| Unvested at March 31, 2024 | 23,611 | $ | 8.93 |

During the three months ended March 31, 2024 and 2023, the Company expensed $46 thousand and $155 thousand, respectively, related to the stock awards. At March 31, 2024, the balance of unearned share-based compensation to be expensed in future periods related to the stock awards is $171 thousand. The period over which the unearned share-based compensation is expected to be earned is approximately 1.2 years.

*Stock options*

The Company's option activity is summarized as follows:

| | Number of options | | Weighted average exercise price |
|---|---|---|---|
| Outstanding at December 31, 2023 | 75,669 | $ | 41.64 |
| Issued | — | | — |
| Exercised | — | | — |
| Forfeited | (341) | | 7.20 |
| Expired | (1,518) | | 340.88 |
| Outstanding at March 31, 2024 | 73,810 | $ | 35.64 |
| Exercisable at March 31, 2024 | 49,443 | $ | 48.35 |

Unless otherwise indicated, options issued to employees, members of the Board of Directors, and non-employees generally vest over a period of one year to three years and are exercisable for a term of ten years from the date of issuance. There were no stock options granted during the three months ended March 31, 2024.

There was no intrinsic value for options outstanding or exercisable at March 31, 2024 and December 31, 2023.

The following table summarizes information about options outstanding and exercisable at March 31, 2024:

| Weighted average exercise price of outstanding options | Number of options outstanding | Weighted average remaining estimated life (in years) | Number of options exercisable |
|---|---|---|---|
| < $10.00 | 34,009 | 9.2 | 12,441 |
| $20.00 - $50.00 | 35,217 | 5.8 | 32,418 |
| $100.00 - $200.00 | 2,369 | 6.2 | 2,369 |
| $200.00 - $500.00 | 2,215 | 3.0 | 2,215 |
| | 73,810 | | 49,443 |

Total share-based compensation on stock-option grants amounted to $59 thousand and $41 thousand for the three months ended March 31, 2024 and 2023, respectively. At March 31, 2024, the balance of unearned share-based compensation to be expensed in future periods related to unvested share-based awards was $155 thousand. The period over which the unearned share-based compensation is expected to be earned is approximately 1.2 years.

**11. Commitments and contingencies**

The Company recognizes and discloses commitments when it enters into executed contractual obligations with other parties. The Company accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

The Company is subject to legal proceedings and claims arising in the normal course of business. Management believes that final disposition of any such matters existing at March 31, 2024, will not have a material adverse effect on the Company's financial position or results of operations.

**12. Income Taxes**

The Company incurred losses for the three months ended March 31, 2024 and is forecasting additional losses through the remainder of the year ending December 31, 2024, resulting in an estimated net loss for both financial statement and tax purposes for the year ending December 31, 2024. Therefore, no federal or state income taxes are expected and none have been recorded at this time. Income taxes have been accounted for using the liability method.

Due to the Company's history of losses since inception, there is not enough evidence at this time to support that the Company will generate future income of a sufficient amount and nature to utilize the benefits of its net deferred tax assets. Accordingly, the deferred tax assets have been reduced by a full valuation allowance, since the Company does not currently believe that realization of its deferred tax assets is more likely than not.

As of March 31, 2024, the Company had no unrecognized income tax benefits that would reduce the Company's effective tax rate if recognized.

**13. Subsequent Events**

On April 18, 2024, the Parent and certain of its subsidiaries entered into a Loan and Security agreement ("Loan Agreement") with JMB Capital Partners Lending, LLC to fund working capital through a secured term loan of up to $10 million that matures on July 31, 2024 or, if earlier, upon the sale of certain collateral or upon an Event of Default (as defined in the Loan Agreement). Of the total loan amount, $5 million was advanced on April 18, 2024, and an additional $5 million will be advanced upon the satisfaction of certain conditions set out in the Loan Agreement. The loan bears interest at a rate of 15% on its outstanding principal balance and is subject to a commitment fee equal to 5%, payable at closing, and an exit fee equal to 8%. Of the initial loan advancement, approximately $2.8 million was used to pay the remaining outstanding balance of the Company's term loan with First Farmers Bank & Trust, upon which the $1 million of restricted cash held by the Company as of both March 31, 2024 and December 31, 2023, was no longer deemed to be restricted.

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

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the unaudited financial information and the notes thereto included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed on April 1, 2024.

**Overview**

We believe that we are a distinctive brand in the field of land-based aquaculture, leveraging decades of technology expertise to deliver innovative solutions that address food insecurity and climate change issues, while improving efficiency and sustainability. We raise our fish in carefully monitored land-based fish farms through a safe, secure and sustainable process. Our land-based recirculating aquaculture system farms, including our broodstock and egg production farm located on Prince Edward Island in Canada, are close to key consumption markets and are designed to prevent disease and to include multiple levels of fish containment to protect wild fish populations. We raise nutritious salmon that is free of antibiotics and other contaminants and provides a solution with a reduced carbon footprint without the risk of pollution to marine ecosystems as compared to traditional sea-cage farming. Our primary product is our GE Atlantic salmon, which received FDA approval in 2015 as the first genetically engineered animal available for sale for human consumption. We commenced commercial activities in 2021 with operations in the United States and Canada. We are actively engaged in genetic, genomic, fish health and fish nutrition research, which drive continuous improvement in our operations and may lead to new, disruptive technologies and products that could further expand our competitive offerings.

**Company Update**

We have been pursuing a growth strategy that includes the construction of large-scale recirculating aquaculture system farms for producing our GE Atlantic salmon. Our farm in Pioneer, Ohio is under construction and roughly 30% complete, but construction activities have been paused. To fund the construction cost, we were using cash on hand, which would be supplemented by a municipal bond financing. However, during the initial two years of construction, the cost estimate for the farm increased substantially and eventually exceeded our ability to complete the proposed financing. Consequently, we require new financing to provide liquidity for working capital and to fund the construction of our farm in Pioneer, Ohio. To meet this need, we have engaged an investment bank to pursue a range of funding and strategic alternatives, including the recently announced sale process for our Indiana farm, debt financing secured by our unencumbered assets, and potential joint venture partnerships or other strategic transactions.

**Inflation**

Recently elevated global inflation rates continue to impact all areas of our business. We are experiencing higher costs for farming supplies, transportation costs, wage rates, and other direct operating expenses, as well as for capital expenditures related to the construction of our farm in Ohio. We expect inflation to continue to negatively impact our results of operations for the near-term.

**Financial Overview**

We expect our future capital requirements will be substantial, particularly as we continue to develop our business and expand our commercial activities.

**Product Revenue**

We have generated product revenue primarily through the sales of our GE Atlantic salmon, supplemented by sales of conventional Atlantic salmon, salmon eggs, fry, and byproducts. With the expected sale of our Indiana farm, our product revenues will consist of conventional Atlantic salmon eggs and fry for the near term.

**Product Costs**

Product costs include the labor and related costs to grow out our fish, including feed, oxygen, and other direct costs; overhead; and the cost to process and ship our products to customers. A portion of production costs is absorbed into inventory as fish in process to the extent that these costs do not exceed the net realizable value of the fish biomass. The costs that are not absorbed into inventory, as well as any net realizable value inventory adjustments, are classified as product costs. Our product costs also include the labor and related costs to maintain our salmon broodstock. During the three months ended March 31, 2024, we recognized $1.0 million of product cost to reduce the value of our Indiana farm inventory in conjunction with its planned sale.

**Sales and Marketing Expenses**

Our sales and marketing expenses currently include salaries and related costs for our sales personnel and agency fees for market-related activities.

### Research and Development Expenses

We recognize research and development expenses as they are incurred. Our research and development expenses consist primarily of salaries and related overhead expenses for personnel in research and development functions; fees paid to contract research organizations and consultants who perform research for us; and costs related to laboratory supplies used in our research and development efforts.

### General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for employees in executive, corporate, and finance functions. Other significant general and administrative expenses include corporate governance and public company costs, regulatory affairs, rent and utilities, insurance, and legal services.

### Long-Lived Asset Impairment

In February 2024, we commenced a process to identify a potential buyer for our Indiana farm. This decision was determined to be an impairment triggering event for long-lived assets at the Indiana farm, resulting in the impairment of $4.3 million of long-lived assets. As of March 31, 2024, the Indiana farm was not available for immediate sale in its present condition, as we need to complete additional system shut down processes. Therefore, the related long-lived assets continued to be classified as held in use.

### Other Expense

Interest expense includes the interest on our outstanding loans and other interest expense. Other expense includes bank charges, fees, and interest income.

## Results of Operations

### Comparison of the three months ended March 31, 2024, to the three months ended March 31, 2023

The following table summarizes our results of operations for the three months ended March 31, 2024 and 2023, together with the changes in those items in dollars and as a percentage (all dollar amounts in thousands):

| | Three Months Ended March 31, | | Dollar Change | % Change |
|---|---|---|---|---|
| | 2024 | 2023 | | |
| | (unaudited) | | | |
| Product revenue | $ **477** | $ 398 | 79 | 20% |
| Operating expenses: | | | | |
| Product costs | **4,476** | 3,559 | 917 | 26% |
| Sales and marketing | **64** | 198 | (134) | (68)% |
| Research and development | **120** | 123 | (3) | (2)% |
| General and administrative | **2,500** | 3,001 | (501) | (17)% |
| Long-lived asset impairment | **4,265** | - | 4,265 | —% |
| Operating loss | **10,948** | 6,483 | 4,465 | 69% |
| Total other expense | **(210)** | (3) | (207) | 6,900% |
| Net loss | $ **11,158** | $ 6,486 | 4,672 | 72% |

*Product Revenue*

| | Three Months Ended March 31, | | Change | % Change |
|---|---|---|---|---|
| | 2024 | 2023 | | |
| | (unaudited) | | | |
| Harvest of GE Atlantic salmon (mt) | 415 | 66 | 349 | 529% |
| Product revenue | | | | |
| GE Atlantic salmon revenue | $ 395 | $ 392 | $ 3 | 1% |
| Non-GE Atlantic salmon revenue | 80 | 2 | 78 | 3,900% |
| Other revenue | 2 | 4 | (2) | (50)% |
| Total product revenue | $ 477 | $ 398 | $ 79 | 20% |

The increase in revenue during the current period was primarily due to an increase in the sale of conventional Atlantic salmon, fry and eggs from our Rollo Bay farm. Harvest volume of our GE Atlantic salmon was up substantially, as we prepared our Indiana farm for sale. An accelerated harvesting schedule at the Indiana farm required harvesting predominantly below-market sized fish, which impacted the average selling price for the current period.

*Product Costs*

Product costs for the three months ended March 31, 2024, were up from the corresponding period in 2023, primarily due to costs associated with the winding down of operations at the Indiana farm, including a net realizable value adjustment of $900 thousand against its biomass inventory, and a $100 thousand reserve against its feed inventory. Net of these charges, product costs were lower in the current period.

*Sales and Marketing Expenses*

Sales and marketing expenses for the three months ended March 31, 2024, were down from the corresponding period in 2023 due to decreases in personnel costs, marketing programs, travel, and share-based compensation costs.

*Research and Development Expenses*

Research and development expenses for the three months ended March 31, 2024, were down from the corresponding period in 2023, primarily due to decreases in project spending.

*General and Administrative Expenses*

General and administrative expenses for the three months ended March 31, 2024, were down from the corresponding period in 2023 due to reductions in professional services, state excise tax liabilities, share-based compensation costs, and travel, offset by increases in personnel costs and legal fees.

*Long-Lived Asset Impairment*

An asset impairment charge of $4.3 million was incurred in the current period against the long-lived assets of the Indiana farm. We determined the impairment charge, based on the estimate of the potential market value of the asset group to be sold, net of selling costs, compared to the current net book value of those assets.

*Total Other Expense*

Total other expense is comprised of interest expense and bank charges, less interest income for the three months ended March 31, 2024 and 2023.

**Cash Flows**

The following table sets forth the significant sources and uses of cash for the periods set forth below (in thousands):

| | Three Months Ended March 31, | | Dollar | % |
|---|---|---|---|---|
| | **2024** | **2023** | **Change** | **Change** |
| | **(unaudited)** | | | |
| Net cash (used in) provided by: | | | | |
| Operating activities | **$ (4,372)** | $ (6,142) | 1,770 | (29)% |
| Investing activities | **(1,169)** | (22,935) | 21,766 | (95)% |
| Financing activities | **(67)** | 215 | (282) | (131)% |
| Effect of exchange rate changes on cash | **(3)** | - | (3) | —% |
| Net change in cash | **$ (5,611)** | $ (28,862) | 23,251 | (81)% |

*Cash Flows from Operating Activities*

Net cash used in operating activities during the three months ended March 31, 2024, was primarily comprised of our $11.2 million net loss, partially offset by non-cash depreciation and share-based compensation charges of $681 thousand, a long-lived asset impairment charge of $4.3 million and decreased by working capital sources of $1.8 million. Net cash used in operating activities during the three months ended March 31, 2023 was primarily comprised of our $6.5 million net loss, offset by non-cash depreciation and share-based compensation charges of $728 thousand, and increased by working capital uses of $388 thousand.

Spending on operations decreased in the current period, before the recording of impairment charges against the Indiana farm property and inventory assets, due to reductions in marketing programs, outside research projects, professional services, and share-based compensation. Increases in cash provided by working capital was due to reductions in inventory and other current assets and increases in accounts payable and accrued expenses.

*Cash Flows from Investing Activities*

During the three months ended March 31, 2024 and 2023, we used $1.2 million and $22.9 million, respectively for construction activities at our farm sites and the purchase of equipment.

*Cash Flows from Financing Activities*

During the three months ended March 31, 2024, we received $117 thousand from new debt and made $184 thousand in debt repayments. During the same period in 2023, we received $394 thousand from new debt and made $179 thousand in debt repayments.

**Future Capital Requirements**

Since inception, we have incurred cumulative net losses and negative cash flows from operating activities and we expect this to continue for the foreseeable future. As of March 31, 2024, we had $3.6 million of cash, cash equivalents, and restricted cash. Our ability to continue as a going concern is dependent upon our ability to raise additional capital, and there can be no assurance that such capital will be available in sufficient amounts, on a timely basis, on terms acceptable to us, or at all. This raises substantial doubt about our ability to continue as a going concern within one year after the date that the accompanying condensed consolidated financial statements are issued.

On April 18, 2024, we entered into a Loan Agreement with JMB Capital Partners Lending, LLC to fund working capital through a secured term loan of up to $10 million that matures on July 31, 2024 or, if earlier, upon the sale of certain collateral or upon an Event of Default (as defined in the Loan Agreement). Of the total loan amount, $5 million was advanced on April 18, 2024, and an additional $5 million will be advanced upon the satisfaction of certain conditions set out in the Loan Agreement. The loan bears interest at a rate of 15% on its outstanding principal balance and is subject to a commitment fee equal to 5%, payable at closing, and an exit fee equal to 8%. Of the initial loan advancement, approximately $2.8 million was used to pay the remaining outstanding balance of the Company's term loan with First Farmers Bank & Trust, upon which the $1 million of restricted cash held by the Company as of both March 31, 2024 and December 31, 2023, was no longer deemed to be restricted.

Until such time, if ever, as we can generate positive cash flows from operating activities, we may finance our cash needs through a combination of equity offerings, debt financings, government or other third-party funding, strategic alliances, and licensing arrangements, as well as our announced plan to sell our Indiana farm. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of holders of our common stock will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of holders of our common stock. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise additional funds through government or other third-party funding, marketing and distribution arrangements, or other collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs, or product candidates or to grant licenses on terms that may not be favorable to us.

If we are unable to generate additional funds in a timely manner, we will exhaust our resources and will be unable to maintain our currently planned operations. If we cannot continue as a going concern, our stockholders would likely lose most or all of their investment in us.

**Critical Accounting Policies and Estimates**

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of our condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes to these estimates, or the policies related to them, during the three months ended March 31, 2024. For a full discussion of these estimates and policies, see "Critical Accounting Policies and Estimates" within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023.

**Smaller Reporting Company Status**

We are a "smaller reporting company," meaning that the market value of our stock held by non-affiliates is less than $700 million and our annual revenue was less than $100 million during the most recently completed fiscal year. We may continue to be a smaller reporting company if either (i) the market value of our stock held by non-affiliates is less than $250 million or (ii) our annual revenue is less than $100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than $700 million.

As a smaller reporting company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and smaller reporting companies have reduced disclosure obligations regarding executive compensation.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following sections provide quantitative information on our exposure to interest rate risk and foreign currency exchange risk. We make use of sensitivity analyses, which are inherently limited in estimating actual losses in fair value that can occur from changes in market conditions.

**Interest Rate Risk**

Our primary exposure to market risk is interest rate risk associated with debt financing that we utilize from time to time to fund operations or specific projects. The interest on this debt is usually determined based on a fixed rate and is contractually set in advance. As of March 31, 2024 and December 31, 2023, we had $4.5 million and $4.6 million, respectively, in interest-bearing debt instruments on our consolidated balance sheet. All of our interest-bearing debt is at fixed rates.

**Foreign Currency Exchange Risk**

Our functional currency is the U.S. Dollar. The functional currency of our Canadian subsidiary is the Canadian Dollar, and the functional currency of our U.S. and Brazil subsidiaries is the U.S. Dollar. For the Canadian subsidiary, assets and liabilities are translated at the exchange rates in effect at the balance sheet date, equity accounts are translated at the historical exchange rate, and the income statement accounts are translated at the average rate for each period during the year. Net translation gains or losses are adjusted directly to a separate component of other comprehensive loss within stockholders' equity.

## Item 4. Controls and Procedures

**Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is: (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. As of March 31, 2024 (the "Evaluation Date"), our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our Chief Executive Officer and Chief Financial Officer have concluded, based upon the evaluation described above that, as of the Evaluation Date, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

We are not party to any legal proceedings the outcome of which, we believe, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our future business, consolidated results of operations, cash flows, or financial position. We may, from time to time, be subject to legal proceedings and claims arising from the normal course of business activities.

## Item 1A. Risk Factors

As disclosed in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed on April 1, 2024, there are a number of risk factors that could affect our business, financial condition, and results of operations. The following risk factors are either new or have changed materially from those set forth in our Annual Report on Form 10-K for the year ended December 31, 2023. In evaluating our business, you should carefully review the risks described in our Annual Report on Form 10-K, including our consolidated financial statements and related notes, and in other reports we file with the SEC. We cannot assure you that any of the events discussed in the risk factors below will not occur. These risks could have a material and adverse impact on our business, results of operations, financial condition, or prospects. If that were to happen, the trading price of our common stock could decline, and you could lose all or part of your investment.

This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below, elsewhere in this Quarterly Report on Form 10-Q, and in our Annual Report on Form 10-K. See "Cautionary Note Regarding Forward-Looking Statements" for information relating to these forward-looking statements.

**We have a history of net losses and will likely incur future losses and may not achieve or maintain profitability.**

In the period from incorporation to March 31, 2024, we have incurred cumulative net losses of approximately $232 million. These losses reflect our personnel, research and development, production and marketing costs. Our ability to realize revenues and the timing thereof are not certain, and achieving revenues does not assure that we will become profitable. We anticipate incurring additional losses until such time that we can generate significant increases to our revenues, and/or reduce our operating costs and losses. The size of our future net losses will depend, in part, on the rate of future expenditures and our ability to significantly grow our business and increase our revenues. We expect to continue to incur substantial and increased expenses as we grow our business. We also expect a continued increase in our expenses associated with our operations as a publicly traded company.

**There is substantial doubt about our ability to continue as a going concern.**

Since inception, we have incurred cumulative net losses and negative cash flows from operations and expect that this will continue for the foreseeable future. As of March 31, 2024, we had $3.6 million in cash and cash equivalents, and restricted cash.

Our ability to continue as a going concern is dependent upon our ability to raise additional capital, and there can be no assurance that such capital will be available in sufficient amounts, on a timely basis, on acceptable terms, or at all. This raises substantial doubt about our ability to continue as a going concern within one year after the date hereof. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business and do not include any adjustments that might result from the outcome of this uncertainty. Until such time as we reach profitability, we will require additional financing to fund our operations and execute our business plan. If we cannot continue as a going concern, our stockholders would likely lose most or all of their investment in us.

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

None.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

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**Item 6. Exhibits**

## EXHIBIT INDEX

| Exhibit Number | Exhibit Description |
|---|---|
| 3.1* | Third Amended and Restated Certificate of Incorporation of AquaBounty Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form 10, filed on November 7, 2016). |
| 3.2* | Certificate of Amendment of Third Amended and Restated Certificate of Incorporation of AquaBounty Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on January 6, 2017). |
| 3.3* | Certificate of Amendment of Third Amended and Restated Certificate of Incorporation of AquaBounty Technologies, Inc. (incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1, filed on January 15, 2020). |
| 3.4* | Certificate of Amendment of Third Amended and Restated Certificate of Incorporation of AquaBounty Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on November 19, 2020). |
| 3.5* | Certificate of Amendment of Third Amended and Restated Certificate of Incorporation of AquaBounty Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on May 27, 2022). |
| 3.6* | Certificate of Validation dated October 18, 2022 relating to Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation of AquaBounty Technologies, Inc. dated May 27, 2022 (incorporated by reference to Exhibit 3.5 to the Registrant's Quarterly Report on Form 10-Q, filed on November 8, 2022). |
| 3.7* | Certificate of Amendment of Third Amended and Restated Certificate of Incorporation of AquaBounty Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on October 13, 2023). |
| 10.1* | Agreement For Construction Management Services Between AquaBounty Farms Ohio LLC and Gilbane Building Company (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on June 30, 2023). |
| 31.1 | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1+ | Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL instance document. |
| 101.SCH | XBRL taxonomy extension schema document. |
| 101.CAL | XBRL taxonomy extension calculation linkbase document. |
| 101.LAB | XBRL taxonomy label linkbase document. |
| 101.PRE | XBRL taxonomy extension presentation linkbase document. |
| 101.DEF | XBRL taxonomy extension definition linkbase document. |
| 104 | Cover Page Interactive Data File-the cover page interactive data file does not appear in the Interactive Data File because the XBRL tags are embedded within the Inline XBRL document. |

* Incorporated herein by reference as indicated.

+ The certification furnished in Exhibit 32.1 is deemed to be furnished and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certification will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

## 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.

AQUABOUNTY TECHNOLOGIES, INC.

May 15, 2024

/s/ Sylvia Wulf
Sylvia Wulf
Chief Executive Officer and Board Chair
(Principal Executive Officer)

/s/ David A. Frank
David A. Frank
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

**EXHIBIT 31.1**

**Certification**

I, Sylvia Wulf, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AquaBounty Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2024

/s/ Sylvia Wulf
Sylvia Wulf
*Chief Executive Officer*
(Principal Executive Officer)

**EXHIBIT 31.2**

**Certification**

I, David A. Frank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AquaBounty Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2024

/s/ David A. Frank
David A. Frank
*Chief Financial Officer*
(Principal Financial Officer)

**EXHIBIT 32.1**

**The following certification is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350). This certification is not to be deemed a part of the Report, nor is it deemed to be "filed" for any purpose whatsoever.**

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 USC 1350), each of the undersigned hereby certifies, to his or her knowledge, that:

(i) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024, which this statement accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024, fairly presents, in all material respects, the financial condition and results of operations of AquaBounty Technologies, Inc.

Dated as of this 15th day of May, 2024.

| | |
|---|---|
| /s/ Sylvia Wulf | /s/ David A. Frank |
| Sylvia Wulf | David A. Frank |
| *Chief Executive Officer* | *Chief Financial Officer* |
| (Principal Executive Officer) | (Principal Financial Officer) |