Table of Contents

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 July 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: 001-13490

MIND TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	**76-0210849**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2002 Timberloch Place
Suite 550
The Woodlands, Texas 77380
(Address of principal executive offices, including Zip Code)
(281) 353-4475
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock - $0.01 par value per share	**MIND**	**The NASDAQ Stock Market LLC**
Series A Preferred Stock - $1.00 par value per share	**MINDP**	**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 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 1,405,779 shares of common stock, $0.01 par value, were outstanding as of September 11, 2024.

MIND TECHNOLOGY, INC.
Table of Contents

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets as of July 31, 2024 and January 31, 2024	1
	Condensed Consolidated Statements of Operations for the Three and Six Months Ended July 31, 2024 and 2023	2
	Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended July 31, 2024 and 2023	3
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended July 31, 2024 and 2023	4
	Condensed Consolidated Statements of Stockholders' Equity for the Three and Six Months Ended July 31, 2024 and 2023	5
	Notes to Condensed Consolidated Financial Statements	7
	Cautionary Statement about Forward-Looking Statements	15
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 4.	Controls and Procedures	22

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	22
Item 1A.	Risk Factors	22
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3.	Defaults Upon Senior Securities	22
Item 4.	Mine Safety Disclosures	22
Item 5.	Other Information	22
Item 6.	Exhibits	23
	Exhibit Index	23
	Signatures	24

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

MIND TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	July 31, 2024	January 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,904	$ 5,289
Accounts receivable, net of allowance for credit losses of $332 at each of July 31, 2024 and January 31, 2024	9,586	6,566
Inventories, net	19,069	13,371
Prepaid expenses and other current assets	2,075	3,113
Total current assets	32,634	28,339
Property and equipment, net	782	818
Operating lease right-of-use assets	1,732	1,324
Intangible assets, net	2,566	2,888
Deferred tax asset	122	122
Total assets	$ 37,836	$ 33,491
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 4,387	$ 1,623
Deferred revenue	428	203
Customer deposits	2,726	3,446
Accrued expenses and other current liabilities	1,905	2,140
Income taxes payable	2,171	2,114
Operating lease liabilities - current	747	751
Total current liabilities	12,364	10,277
Operating lease liabilities - non-current	985	573
Total liabilities	13,349	10,850
Stockholders’ equity:		
Preferred stock, $1.00 par value; 2,000 shares authorized; 1,683 shares issued and outstanding at each of July 31, 2024 and January 31, 2024	37,779	37,779
Common stock, $0.01 par value; 40,000 shares authorized; 1,406 shares issued and outstanding at July 31, 2024 and January 31, 2024	14	14
Additional paid-in capital	113,215	113,121
Accumulated deficit	(126,555)	(128,307)
Accumulated other comprehensive gain	34	34
Total stockholders’ equity	24,487	22,641
Total liabilities and stockholders’ equity	$ 37,836	$ 33,491

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

MIND TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2024	2023	2024	2023
Revenues:				
Sales of marine technology products	$ 10,036	$ 7,561	19,714	18,158
Cost of sales:				
Sales of marine technology products	5,258	4,620	10,718	10,681
Gross profit	4,778	2,941	8,996	7,477
Operating expenses:				
Selling, general and administrative	2,784	2,913	5,543	6,219
Research and development	328	493	790	971
Depreciation and amortization	236	302	503	635
Total operating expenses	3,348	3,708	6,836	7,825
Operating income (loss)	1,430	(767)	2,160	(348)
Other income (expense):				
Interest expense	—	(163)	—	(367)
Other, net	40	238	509	310
Total other income (expense)	40	75	509	(57)
Income (loss) from continuing operations before income taxes	1,470	(692)	2,669	(405)
Provision for income taxes	(672)	(66)	(917)	(477)
Net income (loss) from continuing operations	798	(758)	1,752	(882)
Loss from discontinued operations, net of income taxes	—	(736)	—	(852)
Net income (loss)	$ 798	$ (1,494)	$ 1,752	$ (1,734)
Preferred stock dividends - declared	—	—	—	—
Preferred stock dividends - undeclared	(947)	(947)	(1,894)	(1,894)
Net loss attributable to common stockholders	$ (149)	$ (2,441)	$ (142)	$ (3,628)
Net loss per common share - Basic and Diluted				
Continuing operations	$ (0.11)	$ (1.21)	$ (0.10)	$ (1.97)
Discontinued operations	$ —	$ (0.52)	$ —	$ (0.61)
Net loss	$ (0.11)	$ (1.74)	$ (0.10)	$ (2.58)
Shares used in computing net income (loss) per common share:				
Basic and diluted	1,406	1,406	1,406	1,406

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

MIND TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2024	**2023**	**2024**	**2023**
Net income (loss)	$ 798	$ (1,494)	$ 1,752	$ (1,734)
Comprehensive income (loss)	$ 798	$ (1,494)	1,752	(1,734)

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

MIND TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the Six Months Ended July 31,	
	2024	**2023**
Cash flows from operating activities:		
Net income (loss)	$ 1,752	$ (1,734)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	503	940
Stock-based compensation	95	158
Provision for inventory obsolescence	45	—
Gross profit from sale of other equipment	(457)	(336)
Changes in:		
Accounts receivable	(3,032)	(3,238)
Unbilled revenue	75	31
Inventories	(5,742)	(333)
Prepaid expenses and other current and long-term assets	1,042	1,329
Income taxes receivable and payable	54	63
Accounts payable, accrued expenses and other current liabilities	2,465	(1,556)
Deferred revenue and customer deposits	(495)	1,199
Net cash used in operating activities	(3,695)	(3,477)
Cash flows from investing activities:		
Purchases of property and equipment	(146)	(102)
Sale of other equipment	457	336
Net cash provided by investing activities	311	234
Cash flows from financing activities:		
Payment on short-term loan	—	2,947
Net cash provided by financing activities	—	2,947
Effect of changes in foreign exchange rates on cash and cash equivalents	(1)	12
Net change in cash and cash equivalents	(3,385)	(284)
Cash and cash equivalents, beginning of period	5,289	778
Cash and cash equivalents, end of period	$ 1,904	$ 494
Supplemental cash flow information:		
Interest paid	$ —	$ 407
Income taxes paid	$ 938	$ 425

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

MIND TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common Stock		Preferred Stock						
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Gain	Total
Balances, January 31, 2024	**1,406**	**$ 14**	**1,683**	**$ 37,779**	**$ 113,121**	**$ —**	**$ (128,307)**	**$ 34**	**$ 22,641**
Net income	—	—	—	—	—	—	954	—	954
Stock-based compensation	—	—	—	—	48	—	—	—	48
Balances, April 30, 2024	**1,406**	**$ 14**	**1,683**	**$ 37,779**	**$ 113,169**	**$ —**	**$ (127,353)**	**$ 34**	**$ 23,643**
Net income	—	—	—	—	—	—	798	—	798
Stock-based compensation	—	—	—	—	46	—	—	—	46
Balances, July 31, 2024	**1,406**	**$ 14**	**1,683**	**$ 37,779**	**$ 113,215**	**$ —**	**$ (126,555)**	**$ 34**	**$ 24,487**

MIND TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common Stock		Preferred Stock					Accumulated	
	As adjusted Shares	See Note 15 Amount	Shares	Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Other Comprehensive Gain	Total
Balances, January 31, 2023	**1,599**	**$ 16**	**$ 1,683**	**$ 37,779**	**$ 129,721**	**$ (16,863)**	**$ (127,635)**	**$ 34**	**$ 23,052**
Net loss	—	—	—	—	—	—	(240)	—	(240)
Stock-based compensation	—	—	—	—	50	—	—	—	50
Balances, April 30, 2023	**1,599**	**$ 16**	**$ 1,683**	**$ 37,779**	**$ 129,771**	**$ (16,863)**	**$ (127,875)**	**$ 34**	**$ 22,862**
Net loss	—	—	—	—	—	—	(1,494)	—	(1,494)
Stock-based compensation	—	—	—	—	108	—	—	—	108
Balances, July 31, 2023	**1,600**	**$ 16**	**1,683**	**$ 37,779**	**$ 129,879**	**$ (16,863)**	**$ (129,369)**	**$ 34**	**$ 21,476**

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

MIND TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization, Liquidity and Summary of Significant Accounting Policies

Organization—MIND Technology, Inc., a Delaware corporation (the "Company"), was incorporated in 1987. The Company, through its wholly owned subsidiaries, Seamap Pte Ltd, MIND Maritime Acoustics, LLC, Seamap (Malaysia) Sdn Bhd and Seamap (UK) Ltd, collectively "Seamap", designs, manufactures and sells a broad range of proprietary products for the seismic, hydrographic and offshore industries with product sales and support facilities based in Singapore, Malaysia, the United Kingdom and the state of Texas. Prior to August 21, 2023, the Company, through its wholly owned subsidiary Klein Marine Systems, Inc. ("Klein"), designed, manufactured and sold a broad range of proprietary products for the seismic, hydrographic and offshore industries from its facility in the state of New Hampshire. Effective August 21, 2023, the Company sold Klein and retrospectively presented its prior periods financial results reported as discontinued operations (see Note 2 – "Sale of a Subsidiary" for additional details).

Liquidity—As of July 31, 2024, the Company had working capital of approximately $20.3 million, including cash and cash equivalents of approximately $1.9 million, compared to working capital of approximately $18.1 million, including cash and cash equivalents of approximately $5.3 million as of January 31, 2024. The Company does not have a credit facility in place and depends on cash on hand and cash flows from operations to satisfy its liquidity needs. However, the Company believes it will have adequate liquidity to meet its future operating requirements through a combination of cash on hand, cash expected to be generated from operations, disciplined working capital management, potential financing secured by company-owned real property, and potentially securing a credit facility or some other form of financing.

Summary of Significant Accounting Policies—We describe our significant accounting policies in Note *1* of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended January 31, 2024. During the six months ended July 31, 2024, there were no changes to those accounting policies.

2. Sale of Subsidiary

On August 21, 2023, the Company sold Klein pursuant to a Stock Purchase Agreement (the "SPA") with General Oceans AS ("the Buyer"). In connection with the SPA, the Company granted the Buyer a license to its Spectral Ai software suite ("Spectral Ai"). The license is exclusive to the Buyer as it relates to side scan sonar. The Company and the Buyer also entered into a collaboration agreement for the further development of Spectral Ai and potentially other software projects. The foregoing transactions contemplated by the SPA are referred to as the "Sale of Klein". The aggregate consideration to the Company consisted of a cash payment of $11.5 million, resulting in a gain of approximately $2.3 million. The SPA contained customary representation and warranties.

On August 22, 2023, following the closing of the Sale of Klein, all outstanding amounts due and owed, including principal, interest, and other charges, under the Loan (as defined below) were repaid in full and the Loan was terminated, and all liens and security interests granted thereunder were released and terminated (see Note 10 - "Notes Payable" for additional details).

3. Basis of Presentation

The condensed consolidated balance sheet as of January 31, 2024, for the Company has been derived from audited consolidated financial statements. The unaudited interim condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company's Annual Report on Form 10-K for the year ended January 31, 2024 ("fiscal 2024"). In the opinion of the Company's management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position as of July 31, 2024, the results of operations for the three and six months ended July 31, 2024 and 2023, the cash flows for the six months ended July 31, 2024 and 2023, and the statement of stockholders' equity for the three and six months ended July 31, 2024 and 2023, have been included in these condensed consolidated financial statements. The foregoing interim results are not necessarily indicative of the results of operations to be expected for the full fiscal year ending January 31, 2025 ("fiscal 2025").

4. Discontinued Operations

On August 21, 2023, the Company sold Klein pursuant to the SPA with the Buyer. As a result, its results of operations are reported as discontinued operations for the three and six-month period ended July 31, 2023.

The results of operations from discontinued operations for the three and six months ended July 31, 2024 and 2023 consist of the following:

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2024	**2023**	**2024**	**2023**
Revenues:	(in thousands)			
Revenue from discontinued operations	$ —	$ 1,189	$ —	$ 3,178
Cost of sales:				
Cost of discontinued operations	—	863	—	1,971
Operating expenses:				
Selling, general and administrative	—	600	—	1,168
Research and development	—	349	—	644
Depreciation and amortization	—	158	—	306
Total operating expenses	—	1,107	—	2,118
Operating loss	—	(781)	—	(911)
Other income	—	55	—	76
Loss before income taxes from discontinued operations	—	(726)	—	(835)
Provision for income taxes from discontinued operations	—	(10)	—	(17)
Net loss from discontinued operations	—	(736)	—	(852)

The significant operating and investing noncash items and capital expenditures related to discontinued operations are summarized below:

	For the Six Months Ended July 31,	
	2024	**2023**
	(in thousands)	
Depreciation and amortization	$ —	$ 306

5. New Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"), to enhance the disclosures public entities provide regarding significant segment expenses so that investors can better understand an entity’s overall performance and assess potential future cash flows. ASU 2023-07 is effective for our annual periods beginning February 1, 2024 and interim periods within fiscal years beginning February 1, 2025. The Company is evaluating the impacts of adoption.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 seeks to improve transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disclosures. The updated guidance is effective for the Company on February 1, 2025. The Company is currently evaluating the new guidance to determine the impact it will have on the disclosures to its consolidated financial statements.

6. Revenue from Contracts with Customers

The following table presents revenue from contracts with customers disaggregated by timing of revenue recognition:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Revenue recognized at a point in time:	(in thousands)			
Total revenue recognized at a point in time	$ 9,661	$ 7,191	$ 19,038	$ 17,703
Revenue recognized over time:				
Total revenue recognized over time	375	370	676	455
Total revenue from contracts with customers	$ 10,036	$ 7,561	$ 19,714	$ 18,158

The revenue from products manufactured and sold by our Seamap business is generally recognized at a point in time, or when the customer takes possession of the product, based on the terms and conditions stipulated in our contracts with customers. However, from time to time our Seamap business provides repair and maintenance services, or performs upgrades, on customer owned equipment in which case revenue is recognized over time. In addition, our Seamap business provides annual Software Maintenance Agreements ("SMA") to customers who have an active license for software embedded in Seamap products. The revenue from SMA is recognized over time, with the total value of the SMA recognized in equal monthly amounts over the life of the contract.

The following table presents revenue from contracts with customers disaggregated by geography, based on the shipping location of our customers:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
	(in thousands)			
United States	$ 492	$ 107	$ 837	$ 499
Europe	6,298	2,557	9,083	9,057
Asia-Pacific	2,647	4,850	8,490	8,432
Other	599	47	1,304	170
Total revenue from contracts with customers	$ 10,036	$ 7,561	$ 19,714	$ 18,158

As of July 31, 2024, and January 31, 2024, contract assets and liabilities consisted of the following:

	July 31, 2024	January 31, 2024
Contract Assets:	(in thousands)	
Unbilled revenue - current	$ 101	$ 26
Total unbilled revenue	$ 101	$ 26
Contract Liabilities:		
Deferred revenue & customer deposits - current	$ 3,154	$ 3,649
Total deferred revenue & customer deposits	$ 3,154	$ 3,649

Considering the products manufactured and sold by our Seamap business and the Company's standard contract terms and conditions, we expect the Company's contract assets and liabilities to turn over, on average, within a period of three to nine months.

With respect to the disclosures above, sales and transaction-based taxes are excluded from revenue, and we do not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less. Also, we expense costs incurred to obtain contracts because the amortization period would be one year or less. These costs are recorded in selling, general and administrative expenses.

7. Balance Sheet

	July 31, 2024	January 31, 2024
	(in thousands)	
Inventories:		
Raw materials	$ 9,997	$ 8,730
Finished goods	4,174	2,463
Work in progress	6,450	3,709
Cost of inventories	20,621	14,902
Less allowance for obsolescence	(1,552)	(1,531)
Total inventories, net	$ 19,069	$ 13,371

	July 31, 2024	January 31, 2024
	(in thousands)	
Property and equipment:		
Furniture and fixtures	$ 8,990	$ 8,868
Autos and trucks	286	287
Land and buildings	997	997
Cost of property and equipment	10,273	10,152
Accumulated depreciation and amortization	(9,491)	(9,334)
Total property and equipment, net	$ 782	$ 818

As of January 31, 2024, the Company completed an annual review of property and equipment noting no indications that the recorded value of assets may not be recoverable, and no impairment was recorded for fiscal 2024. Since January 31, 2024, there have been no changes to the market, economic or legal environment in which the Company operates or overall performance of the Company, that would, in the aggregate, indicate additional impairment analysis is necessary as of July 31, 2024.

8. Leases

The Company has certain non-cancelable operating lease agreements for office, production and warehouse space in Texas, Singapore, Malaysia, and the United Kingdom.

Lease expense for the three and six months ended July 31, 2024, was approximately $207,000 and $422,000, respectively, and during the three and six months ended July 31, 2023, was approximately $201,000 and $422,000, respectively, and was recorded as a component of operating income (loss). Included in these costs was short-term lease expense of approximately$7,000 and $13,100, respectively for the three and six months ended July 31, 2024, and approximately $2,000 and $4,000, respectively for the three and six months ended July 31, 2023.

Supplemental balance sheet information related to leases as of July 31, 2024 and January 31, 2024 was as follows:

Lease	**July 31, 2024**	**January 31, 2024**
Assets	(in thousands)	
Operating lease assets	$ 1,732	$ 1,324
Liabilities		
Operating lease liabilities	$ 1,732	$ 1,324
Classification of lease liabilities		
Current liabilities	$ 747	$ 751
Non-current liabilities	985	573
Total Operating lease liabilities	$ 1,732	$ 1,324

Lease-term and discount rate details as of July 31, 2024 and January 31, 2024 were as follows:

Lease term and discount rate	**July 31, 2024**	**January 31, 2024**
Weighted average remaining lease term (years)		
Operating leases	1.88	1.40
Weighted average discount rate:		
Operating leases	13%	13%

The incremental borrowing rate was calculated using the Company's weighted average cost of capital.

Supplemental cash flow information related to leases was as follows:

Lease	For the Six Months Ended July 31, 2024	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:	(in thousands)	
Operating cash flows from operating leases	$ (422)	$ (422)
Changes in lease balances resulting from new and modified leases:		
Operating leases	$ 834	$ 294

Maturities of lease liabilities at July 31, 2024 were as follows:

	July 31, 2024
	(in thousands)
2025	$ 531
2026	707
2027	526
2028	275
2029	35
Thereafter	—
Total payments under lease agreements	$ 2,074
Less: imputed interest	(342)
Total lease liabilities	$ 1,732

9. Intangible Assets

	Weighted	July 31, 2024			January 31, 2024		
	Average Life at July 31, 2024	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			(in thousands)			(in thousands)	
Proprietary rights	4.3	7,473	(5,277)	2,196	7,473	(5,053)	2,420
Customer relationships	—	4,884	(4,884)	—	4,884	(4,852)	32
Patents	1.1	2,540	(2,241)	299	2,540	(2,190)	350
Trade name	1.8	134	(113)	21	134	(108)	26
Other	0.2	416	(366)	50	426	(366)	60
Intangible assets		$ 15,447	$ (12,881)	$ 2,566	$ 15,457	$ (12,569)	$ 2,888

On January 31, 2024, the Company completed an annual review of amortizable intangible assets. Based on a review of qualitative factors, it was determined that there were no events or changes in circumstances indicating that the carrying value of amortizable intangible assets was not recoverable. During the six months ended July 31, 2024, there have been no substantive indicators of impairment.

Aggregate amortization expense was approximately $159,000 and $345,000 for the three and six months ended July 31, 2024, respectively, and approximately $223,000 and $445,000 for the three and six months ended July 31, 2023, respectively. As of July 31, 2024, future estimated amortization expense related to amortizable intangible assets was estimated to be:

For fiscal years ending January 31,	(in thousands)
2025	$ 300
2026	513
2027	374
2028	305
2029	227
Thereafter	847
Total	$ 2,566

10. Notes Payable

On February 2, 2023, we entered into a $3.75 million Loan and Security Agreement ("the Loan"). The Company incurred approximately $814,000 of debt acquisition costs associated with the loan including approximately $254,000 in origination and other transaction fees and approximately $484,000 of prepaid interest, which is the interest due through maturity. These costs were recorded as a reduction to the carrying value of our debt and amortized to interest expense straight-line over the term of the Loan. Approximately $204,000 and $407,000 of amortization of debt acquisition costs were recorded as interest expense for the three and six months ended July 31, 2023, respectively. On August 22, 2023, in connection with the Sale of Klein, the Loan was repaid in full (see Note 2- "Sale of Subsidiary" for additional details).

11. Income Taxes

For the three- and six-month periods ended July 31, 2024, the income tax expense from continuing operations was approximately $672,000 and $917,000, respectively, on pre-tax income from continuing operations of approximately $1.5 million and $2.7 million, respectively. For the three and six-month period ended July 31, 2023, the income tax expense from continuing operations was approximately $66,000 and $477,000, respectively, on pre-tax losses from continuing operations of approximately $692,000 and $405,000, respectively. The variance between our actual provision and the expected provision when applying the U.S. statutory rate of 21% is due primarily to the impact of income taxes accrued in certain foreign jurisdictions, mainly Singapore, which do not have net operating losses available to offset taxable income, and because valuation allowances have been recorded against increases in our deferred tax assets. Valuation allowances have been provided against all deferred tax assets in the United States and several foreign jurisdictions.

The Company files U.S. federal and state income tax returns as well as separate returns for its foreign subsidiaries within their local jurisdictions. The Company's U.S. federal tax returns are subject to examination by the Internal Revenue Service for fiscal years ended January 31, 2019 through 2024. The Company's tax returns may also be subject to examination by state and local tax authorities for fiscal years ending January 31, 2017 through 2024. The Company's Singapore income tax returns are subject to examination by the Singapore tax authorities for the fiscal years ended January 31, 2017, through 2024. The Company's tax returns in other foreign jurisdictions are generally subject to examination for the fiscal years ended January 31, 2018 through 2024.

The Company has determined that the undistributed earnings of foreign subsidiaries are not deemed to be indefinitely reinvested outside of the United States as of July 31, 2024. Furthermore, the Company has concluded that any deferred taxes with respect to the undistributed foreign earnings would be immaterial. Therefore, the Company has not recorded a deferred tax liability associated with the undistributed foreign earnings as of July 31, 2024.

For the three- and six-month periods ended July 31, 2024 and 2023, the Company did not recognize any tax expense or benefit related to uncertain tax positions.

12. Earnings per Share

Net income per basic common share is computed using the weighted average number of common shares outstanding during the period, excluding unvested restricted stock. Net income per diluted common share is computed using the weighted average number of common shares and dilutive potential common shares outstanding during the period using the treasury stock method. Potential common shares result from the assumed exercise of outstanding common stock options having a dilutive effect and from the assumed vesting of unvested shares of restricted stock. For the three and six months ended July 31, 2024 and July 31, 2023, dilutive potential common shares outstanding were immaterial and had no effect on the calculation of earnings per share because shares were anti-dilutive. The total basic weighted average common shares outstanding for the three and six months ended July 31, 2024 and July 31, 2023, was approximately 1.4 million shares.

On October 12, 2023, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Charter (the "Charter Amendment") to effect a one-for-ten reverse stock split (the "Reverse Stock Split"). Prior periods shares have been restated to reflect the impact of the Reverse Stock Split in calculating earnings per share (see Note 15- "Equity and Stock Based Compensation " for additional details).

13. Related Party Transaction

Ladenburg Thalmann & Co. Inc. ("Ladenburg") provided advisor and arrangement services for the Loan (See Note 10 - "Notes Payable" for additional details) and received $75,000 in fees for such services. Additionally, Ladenburg provided advisory services related to the Sale of Klein and received fees of $405,000 for such services. The former Co-Chief Executive Officer and Co-President of Ladenburg is the Non-Executive Chairman of the Company's board of directors (the "Board"). Our Non-Executive Chairman of the Board received no portion of the above-mentioned compensation.

14. Subsequent Event

On September 4, 2024, The Company filed an amendment to the Certificate of Designations, Preferences and Rights of 9.00% Series A Cumulative Preferred Stock to provide that each share of Preferred Stock shall be converted into 3.9 shares of common stock. The amendment was approved by the holders of the Preferred Stock at a Virtual Special Meeting on August 29, 2024. As a result, the Company issued approximately 6.6 million shares of common stock in exchange for all outstanding shares of Preferred Stock. Following the transaction, there are approximately 8.0 million shares of common stock and no preferred stock outstanding.

15. Equity and Stock-Based Compensation

As of July 31, 2024, there were approximately 1,683,000 shares of Preferred Stock outstanding with an aggregate liquidation preference of approximately $49.6 million, which amount includes approximately $7.6 million in undeclared cumulative dividends. Holders of our Preferred Stock are entitled to receive, when and as declared by the Board out of funds of the Company available for the payment of distributions, quarterly cumulative preferential cash dividends of $0.5625 per share of the $25.00 per share stated liquidation preference on our Preferred Stock. Dividends on the Preferred Stock are payable quarterly in arrears, on April 30, July 31, October 31, and January 31, of each year. On September 4, 2024, all outstanding shares of Preferred Stock were converted into common stock and retired. The Company issued approximately 6,600,000 shares of common stock in connection with the conversion. Accordingly, the Company no longer has obligations regarding Preferred Stock dividends, including undeclared dividends from previous periods (see Note 14- "Subsequent Events" for additional details).

On September 28, 2023, the Board approved the Reverse Stock Split at a ratio of one-for-ten. On October 12, 2023, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Charter (the "Charter Amendment") to effect the Reverse Stock Split. The Charter Amendment became effective on October 13, 2023.

As a result of the Charter Amendment and Reverse Stock Split, every ten shares of issued and outstanding common stock were combined into one issued and outstanding share of common stock, without any change in par value per share. Proportionate adjustments were also made to any outstanding securities or rights convertible into, or exchangeable or exercisable for, shares of common stock. Fractional shares were not issued in connection with the Reverse Stock Split. Stockholders who would otherwise be entitled to receive a fractional share were entitled to receive one full share of post-Reverse Stock Split common stock, in lieu of receiving such fractional shares. The Reverse Stock Split affected all stockholders uniformly and did not alter any stockholder’s relative interest in the Company’s equity securities. The Reverse Stock Split reduced the number of shares of issued and outstanding common stock from approximately 13,788,738 shares to approximately 1,405,779 shares. common stock and treasury stock shares have been retroactively adjusted to reflect the Reverse Stock Split in all periods presented. In connection with the reverse stock split, the Company retired all treasury stock.

Total compensation expense recognized for stock-based awards granted under the Company’s equity incentive plan during the three and six-month periods ended July 31, 2024 was approximately $46,000, and $95,000, respectively, and during the three and six-month periods ended July 31, 2023, was approximately $108,000 and $158,000, respectively.

16. Segment Reporting

Prior to August 22, 2023, the Company operated in two segments, Seamap and Klein. On August 21, 2023, the Company completed the Sale of Klein. (see Note 2-"Sale of Subsidiary" for additional details). As a result, at July 31, 2024, Seamap is the Company’s sole reportable segment.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q (this "Form 10-Q") may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "expect," "may," "will," "anticipate," "plan," "intend," "foresee," "should," "would," "could" or other similar expressions are intended to identify forward-looking statements, which are not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts of our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- risks associated with our manufacturing operations including availability and reliability of materials and components as well the reliability of the products that we manufacture and sell;
- loss of significant customers;
- the impact of disruptions in global supply chains due to various factors, including certain components and materials becoming unavailable, increased lead times for components and materials, as well as increased costs for such items;
- demands from suppliers for advance payments could increase our need for working capital; inability to access such working capital could impede our ability to complete orders;
- increased competition;
- loss of key suppliers;
- intellectual property claims by third parties;
- the effect of uncertainty in financial markets on our customers' and our ability to obtain financing;
- our ability to successfully execute strategic initiatives to grow our business;
- uncertainties regarding our foreign operations, including political, economic, currency, environmental regulation and export compliance risks;
- seasonal fluctuations that can adversely affect our business;
- fluctuations due to circumstances beyond our control or that of our customers;
- defaults by customers on amounts due to us;
- possible further impairment of our long-lived assets due to technological obsolescence or changes in anticipated cash flow generated from those assets;
- inability to obtain funding or to obtain funding under acceptable terms;
- changes in government spending, including efforts by the U.S. and other governments to decrease spending for defense contracts, or as a result of U.S. or other administration transition;
- efforts by U.S. Congress and other U.S. government bodies to reduce U.S. government spending and address budgetary constraints and the U.S. deficit, as well as associated uncertainty around the timing, extent, nature and effect of such efforts;
- fluctuations in demand for seismic data, which is dependent on the level of spending by oil and gas companies for exploration, production and development activities, and may potentially negatively impact the value of our assets held for sale;
- inflation and price volatility in the global economy that could negatively impact our business and results of operations;
- the consequences of future geopolitical events, which we cannot predict but which may adversely affect the markets in which we operate, our operations, or our results of operations; and
- negative impacts to our business from security threats, including cybersecurity threats, and other disruptions.

For additional information regarding known material factors that could cause our actual results to differ materially from our projected results, please see (1) Part II, "Item 1A. Risk Factors" of this Form 10-Q, (2) Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2024, and (3) the Company's other filings filed with the SEC from time to time.

There may be other factors of which the Company is not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement after the date they are made, whether as the result of new information, future events or otherwise, except as required by law. All forward-looking statements included herein are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

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

Overview

On August 21, 2023, the Company completed the Sale of Klein (see Note 2-"Sale of Subsidiary" in the accompanying financial statements for additional details). Effective with the Sale of Klein, we operate in one segment, Seamap. Seamap designs, produces and sells seismic exploration and survey equipment. Its customers include foreign and domestic commercial marine survey companies and various governmental institutions.

Management believes that the performance of our Seamap business is indicated by revenues from sales of products and by gross profit from those sales. Management monitors EBITDA and Adjusted EBITDA, both as defined and reconciled to the most directly comparable financial measures calculated and presented in accordance with United States generally accepted accounting principles ("GAAP"), in the following table, as key indicators of our overall performance and liquidity.

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2024	**2023**	**2024**	**2023**
Reconciliation of Net income (loss) to EBITDA and Adjusted EBITDA from continuing operations	(in thousands)			
Net income (loss)	$ 798	$ (1,494)	$ 1,752	$ (1,734)
Interest expense, net	—	163	—	367
Depreciation and amortization	236	459	503	940
Provision for income taxes	672	66	917	477
EBITDA (1)	1,706	(806)	3,172	50
Stock-based compensation	46	108	95	158
Loss from discontinued operations net of depreciation and amortization	—	578	—	546
Adjusted EBITDA from continuing operations (1)	$ 1,752	$ (120)	$ 3,267	$ 754
Reconciliation of Net Cash Provided by (Used in) Operating Activities to EBITDA				
Net cash provided by (used in) operating activities	$ 1,058	$ (490)	$ (3,695)	$ (3,477)
Stock-based compensation	(46)	(108)	(95)	(158)
Provision for inventory obsolescence	(22)	—	(45)	—
Changes in accounts receivable (current and long-term)	111	(244)	2,957	3,207
Interest paid, net	—	203	—	407
Taxes paid, net of refunds	508	236	938	425
Gross profit from sale of other equipment	—	198	457	336
Changes in inventory	2,930	1,312	5,742	333
Changes in accounts payable, accrued expenses and other current liabilities and deferred revenue	(1,813)	(1,825)	(1,970)	357
Changes in prepaid expenses and other current and long-term assets	(942)	(21)	(1,042)	(1,329)
Other	(78)	(67)	(75)	(51)
EBITDA (1)	$ 1,706	$ (806)	$ 3,172	$ 50

(1) EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA is defined as net income before (a) interest income and interest expense, (b) provision for (or benefit from) income taxes and (c) depreciation and amortization. Adjusted EBITDA excludes non-cash foreign exchange gains and losses, stock-based compensation, impairment of intangible assets and other non-cash tax related items. We consider EBITDA and Adjusted EBITDA to be important indicators for the performance of our business, but not measures of performance or liquidity calculated in accordance with GAAP. We have included these non-GAAP financial measures because management utilizes this information for assessing our performance and liquidity, and as indicators of our ability to make capital expenditures, service debt and finance working capital requirements and we believe that EBITDA and Adjusted EBITDA are measurements that are commonly used by analysts and some investors in evaluating the performance and liquidity of companies such as us. In particular, we believe that it is useful to our analysts and investors to understand this relationship because it excludes transactions not related to our core cash operating activities. We believe that excluding these transactions allows investors to meaningfully trend and analyze the performance of our core cash operations. EBITDA and Adjusted EBITDA are not measures of financial performance or liquidity under GAAP and should not be considered in isolation or as alternatives to cash flow from operating activities or to net income as indicators of operating performance or any other measures of performance derived in accordance with GAAP. In evaluating our performance as measured by EBITDA, management recognizes and considers the limitations of this measurement. EBITDA and Adjusted EBITDA do not reflect our obligations for the payment of income taxes, interest expense or other obligations such as capital expenditures. Accordingly, EBITDA and Adjusted EBITDA are only two of the measurements that management utilizes. Other companies in our industry may calculate EBITDA or Adjusted EBITDA differently than we do and EBITDA and Adjusted EBITDA may not be comparable with similarly titled measures reported by other companies.

We design, manufacture and sell a variety of products used primarily in seismic and marine survey industries. Seamap's primary products include (i) the GunLink seismic source acquisition and control systems; (ii) the BuoyLink RGPS tracking system used to provide precise positioning of seismic sources and streamers (marine recording channels that are towed behind a vessel) and (iii) SeaLink marine sensors and solid streamer systems (collectively, the "SeaLink" product line or "towed streamer products"). These towed streamer products are primarily designed for three-dimensional, high-resolution marine surveys in marine survey applications.

Our results of operations can experience fluctuations in activity levels due to a number of factors outside of our control. These factors include budgetary or financial concerns, supply chain issues, labor or political issues, inclement weather, and global pandemics. See Part II, Item 1A- "Risk Factors."

Business Outlook

Our financial performance has improved significantly in recent periods. Although we have a history of operating losses, we generated positive operating income from continuing operations in fiscal 2024 and the first and second quarters of fiscal 2025. We believe this is due to increased demand within our primary markets and efforts to reduce costs and improve product margins.

On August 21, 2023, we completed the Sale of Klein for cash consideration of $11.5 million. In addition, in connection with the Sale of Klein, the Company granted the Buyer a license in its Spectral Ai software suite, exclusive to the Buyer as it relates to side scan sonar. The Company and the Buyer also entered into a collaboration agreement for the further development of Spectral Ai and potentially other software projects. The license and collaboration agreements provide opportunities for recurring licensing revenue and recovery of certain ongoing operating costs. The Sale of Klein served to streamline the Company's operations and provided needed working capital to address the financial requirements associated with the continuing growth of our Seamap business.

As of July 31, 2024, our backlog of firm orders was approximately $26.2 million, as compared to approximately $38.4 million as of January 31, 2024, and $17.0 million as of July 31, 2023. We believe a significant portion of our current backlog will be completed and shipped by the end of fiscal 2025. Additionally, we have a significant pipeline of pending and potential orders that we are pursuing. There are more than $6 million of such orders that have been received subsequent to July 31, 2024 or that we believe are imminent. We believe these orders provide good visibility for the balance of this fiscal year and into the next year. However, the level of backlog at a particular point in time may not necessarily be indicative of results in subsequent periods as the size and delivery period of individual orders can vary significantly.

On September 4, 2024, all outstanding shares of Preferred Stock were converted into common stock and retired. The Company issued approximately 6.6 million shares of common stock in connection with the conversion. Accordingly, the Company no longer has obligations regarding Preferred Stock dividends, including undeclared dividends from previous periods (see Note 14- "Subsequent Events" for additional details).

Our revenues tend to fluctuate from quarter to quarter due to delivery schedules and other factors. We currently expect revenue in fiscal 2025 to exceed that of fiscal 2024 and revenue in the second half of fiscal 2025 to somewhat exceed that for the first half of fiscal 2025. However, no assurances of such results can be made, and there are a number of risks which could cause results to be less than anticipated. Those risks include the following:

- Inability of our customers to accept delivery of orders as scheduled;
- Cancellation of orders;
- Production difficulties, including supply chain disruptions, which could delay the completion of orders as scheduled;
- Anticipated orders not being received as expected; and
- Other unanticipated delays beyond our control.

In our Seamap business we address the following primary markets:

- Marine Survey
- Marine Exploration

We see a number of opportunities to add to our technology and to apply existing technology and products to new applications.

We also continue to pursue initiatives to further expand our product offerings. These initiatives include new internally developed technology, introduction of new products based on our existing technology, technology obtained through partnering arrangements with others and a combination of all of these. There can be no assurance that any of these initiatives will ultimately have a material impact on our financial position or results of operations. Certain business opportunities that we are pursuing are with military or other governmental organizations. The sales cycle for these projects can be quite long and can be impacted by a variety of factors, including the level of competition and budget limitations. Therefore, the timing of contract awards is often difficult to predict. However, once awarded, programs of this type can extend for many years. To date, the majority of our revenues have been from commercial customers.

We believe there are certain developments within the marine technology industry that can have a significant impact on our business. These developments include the following:

- Demand for economical, commercially developed, technology for maritime security applications; and

- Increased activity within the marine exploration space, including applications for alternative energy projects such as offshore windfarms and carbon capture projects.

In response to these, and other, developments we have prioritized certain strategic initiatives to exploit the opportunities that we perceive. These initiatives include the following:

- Application of our Spectral Ai software suite technology to side scan sonar systems and potentially other sensor systems;

- Adaptation of our SeaLink solid streamer technology to alternative applications, such as hydrographic surveys for windfarm and carbon capture projects; and

- Application of our SeaLink solid streamer technology to passive sonar arrays for use in maritime security applications, such as domain awareness and anti-submarine warfare.

We believe that the above applications expand our addressable markets and provide opportunities for further growth in our revenues.

In fiscal 2024, we eliminated two executive management positions and certain other administrative positions in order to further control general and administrative costs. We have eliminated certain other positions in fiscal 2025. The Sale of Klein has allowed us to further streamline our operations and may provide opportunities to further reduce overhead costs. Should future financial results fall below our expectation, we may take further steps to reduce costs. We believe many of our costs are variable in nature, such as raw materials and labor-related costs. Accordingly, we believe we can reduce such costs commensurate with any declines in our business.

General inflation levels have increased recently due in part to supply chain issues, increased energy costs and geopolitical uncertainty. In addition, shortages of certain components, such as electronic components, have caused prices for available components to increase in some cases. These factors can be expected to have a negative impact on our costs; however, the magnitude of such impact cannot be accurately determined.

Our revenues and results of operations have not been materially impacted by inflation or changing prices in the past two fiscal years, except as described above.

Results of Operations

Revenues for the three and six months ended July 31, 2024 were approximately $10.0 million and $19.7 million, respectively, compared to approximately $7.6 million and $18.2 million for the three and six months ended July 31, 2023 , respectively. The increase in the three and six month periods ended July 31, 2024, compared to the prior year period was primarily due to timing of completion of order shipments. For the three and six months ended July 31, 2024, we generated operating income of approximately $1.4 million and $2.2 million, respectively, compared to an operating loss of approximately $767,000 and $348,000 for the three and six months ended July 31, 2023. The increase in operating income in the current year was attributable to improved gross profit margins, decreased selling, general and administrative costs and reduced research and development costs during the three and six months ended July 31, 2024. A more detailed explanation of these variations follows.

Revenues and Cost of Sales

Revenues and cost of sales for our Marine Technology Products business were as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
	(in thousands)		(in thousands)	
Revenues:				
Seamap	$ 10,036	$ 7,561	$ 19,714	$ 18,158
Cost of sales:				
Seamap	5,258	4,620	10,718	10,681
Gross profit	$ 4,778	$ 2,941	$ 8,996	$ 7,477
Gross profit margin	48%	39%	46%	41%

A significant portion of Seamap's sales consist of large discrete orders, the timing of which is dictated by our customers. This timing generally relates to the availability of a vessel in port so that our products can be installed. Accordingly, there can be significant variation in sales from one period to another, which does not necessarily indicate a fundamental change in demand for these products. Revenue from the sale of Seamap products was approximately $10.0 million and $19.7 million for the three and six-month periods ended July 31, 2024, compared to revenue of approximately $7.6 million and $18.2 million for the three and six-month periods ended July 31, 2023. The gross profit and gross profit margins for Seamap were approximately $4.8 million and 48% and $9.0 million and 46% for the three and six-month periods ended July 31, 2024, respectively, compared to approximately $2.9 million and 39% and $7.5 million and 41% in the three and six-month periods ended July 31, 2023, respectively. The gross profit margins in fiscal 2025 improved from the comparable period in the prior fiscal year, due to price increases implemented in fiscal 2024 and increased production efficiencies. The increased production efficiencies were due primarily to higher overhead absorption from higher activity levels and production and procurement efficiencies facilitated by increased order backlog.

Operating Expenses

General and administrative expenses for the three and six-months ended July 31, 2024, respectively, were approximately $2.8 million and $5.5 million, compared to approximately $2.9 million and $6.2 million for the three and six-months ended July 31, 2023, respectively. The decrease from the prior periods is primarily the result of lower compensation expense due to headcount reductions, and the impact of broader cost control measures.

Research and development costs were approximately $328,000 and $790,000, in the three and six-month periods ended July 31, 2024, respectively, compared to approximately $493,000 and $971,000, in the three and six-month period ended July 31, 2023, respectively. Costs in each of the periods are related primarily to our next generation towed streamer system and ongoing development of our Spectral Ai software suite.

Depreciation and amortization expense, which includes depreciation of equipment, furniture and fixtures and the amortization of intangible assets, decreased primarily attributable to assets becoming fully depreciated and amortized over the year. These costs were approximately $236,000 and $503,000 in the three and six-month periods ended July 31, 2024, respectively, as compared to approximately $302,000 and $635,000 in the three and six-month periods ended July 31, 2023, respectively.

Interest Expense

Interest expense of approximately $163,000 and $367,000 in the three and six-months ended July 31, 2023, respectively, was primarily due to interest on the Loan. The Loan was repaid in fiscal 2024 in connection with the Sale of Klein (see note 10-"Notes Payable" and Note 2-"Sale of Subsidiary" for additional details).

Other Expense

Other expense primarily relates to gains on the sale of certain ancillary equipment, scrap sales and other income.

Provision for Income Taxes

For the three and six-months ended July 31, 2024, we reported tax expense of approximately $672,000 and $917,000, respectively, on pre-tax income from continuing operations of approximately $1.5 million and $2.7 million, respectively. For the three and six-month period ended July 31, 2023, our income tax expense was approximately $66,000 and $477,000, respectively, on pre-tax loss from continuing operations of approximately $692,000 and $405,000, respectively. These amounts differed from the result expected when applying the U.S. statutory rate of 21% to our income or loss from continuing operations before income taxes for the respective periods due primarily to the impact of income taxes accrued in certain foreign jurisdictions, primarily in Singapore, which do not have net operating losses available to offset taxable income, and because valuation allowances have been recorded against increases in our deferred tax assets. Valuation allowances have been provided against all deferred tax assets in the United States and several foreign jurisdictions.

Liquidity and Capital Resources

The Company has a history of generating operating losses and negative cash from operating activities and has relied on cash from the sale of lease pool equipment and the sale of Preferred Stock and common stock for the past several years. However, the Company's operating results improved significantly in fiscal 2024 as compared to fiscal 2023 and prior years, generating net income from operations and positive Adjusted EBITDA for the fiscal year ended January 31, 2024 and the three and six months ended July 31, 2024. In addition, the Company sold its Klein business on August 21, 2023, generating net proceeds of approximately $7.3 million after settlement of closing costs and all outstanding amounts due and owed, including principal, interest, and other charges, on the Company's $3.75 million loan. The Sale of Klein increased the Company's working capital and improved its liquidity situation.

As of July 31, 2024, the Company had working capital of approximately $20.3 million, including cash and cash equivalents of approximately $1.9 million, compared to working capital of approximately $18.1 million, including cash and cash equivalents of approximately $5.3 million, as of January 31, 2024. The Company does not have a credit facility in place and depends on cash on hand, cash flows from operations, and potential sales of remaining lease pool equipment to satisfy its liquidity needs.

The Company believes it will have adequate liquidity to meet its future operating requirements through a combination of cash on hand, cash expected to be generated from operations, potential financing secured by company owned real property, disciplined working capital commitments, and potentially securing a credit facility or some other form of financing. In the three months ended July 31, 2024, the Company generated positive cash from operating activities in the amount of approximately $1.1 million.

In addition, management believes there are a number of other factors and actions available to the Company to address any liquidity needs, including the following:

- The Company has no obligations or agreements containing "maintenance type" financial covenants.

- The Company had working capital of approximately $20.3 million as of July 31, 2024, including cash of approximately $1.9 million.

- Should revenues be less than projected, the Company believes it is able, and has plans, to reduce costs proportionately in order to maintain positive cash flow.

- The majority of the Company's costs are variable in nature, such as raw materials and personnel related costs. In fiscal 2024, the Company eliminated two executive level positions and has made additional headcount reductions in fiscal 2025. Furthermore, additional reductions in operations, sales, and general and administrative headcount could be made, if deemed necessary by management.

- The Company had a backlog of orders related to the Seamap segment of approximately $26.2 million as of July 31, 2024, as well as a substantial pipeline of other prospects. Production for certain of these orders was in process and included in inventory as of July 31, 2024, thereby reducing the liquidity needed to complete the orders.

- On September 4, 2024 all outstanding shares of Preferred Stock were converted into common stock and retired. The Company issued approximately 6.6 million shares of common stock in connection with the conversion. Accordingly, the Company no longer has obligations regarding Preferred Stock dividends, including undeclared dividends from previous periods. The conversion of Preferred Stock into common stock was effected pursuant to an amendment to the Certificate of Designations, Preferences and Rights of the Preferred Stock. The amendment was approved by preferred stockholders at a virtual special meeting held on August 29, 2024 (see Note 16- "Subsequent Events" for additional details).

- In recent years, the Company has raised capital through the sale of common stock and Preferred Stock pursuant to the at-the-market program (the "ATM Offering Program") and underwritten offerings on Form S-1. Currently, the Company is not eligible to issue securities pursuant to Form S-3 and accordingly cannot sell securities pursuant to the ATM Offering Program. However, with the elimination of the Preferred Stock dividends in arrears, the Company may once again become eligible to utilize Form S-3. Additionally, the Company may sell securities pursuant to Form S-1 or in private transactions. Management expects to be able to raise further capital through these available means should the need arise.

- The Company owns unencumbered real estate near Huntsville, Texas which could be used to generate capital if needed through a mortgage or sale lease transaction. The Company demonstrated its ability to do this through a secured lending transaction in early fiscal 2024, which was repaid from the proceeds from the Sale of Klein. The appraised value of this property is approximately $5.0 million.

Due to the rising level of sales and production activities there are increasing requirements for purchases of inventory and other production costs. Additionally, due to component shortages and long-lead times for certain items there are requirements in some cases to purchase items well in advance. Furthermore, some suppliers require prepayments in order to secure some items. All of these factors combine to increase the Company's working capital requirements. Furthermore, Management believes there are opportunities to increase production capacity and efficiencies. However, some of these opportunities may require additional investments such as in production equipment or other fixed assets. If we are unable to meet suppliers' demands, we may not be able to produce products and fulfill orders from our customers.

In order to fund future growth, we may explore sources of additional capital. Such sources include private or public issues of equity or debt securities, or a combination of such securities. Other sources could include secured debt financing, the sale of assets or investment from strategic industry participants.

The Company has deferred payment of quarterly dividends for seven fiscal quarters including the first and second quarters of fiscal 2025. Accumulated and undeclared dividends amount to approximately $7.6 million as of July 31, 2024. On September 4, 2024 all outstanding shares of the Company's Series A Preferred Stock were exchanged for common stock and retired. The Company issued approximately 6.6 million shares of common stock in the transaction. Accordingly, the Company no longer has obligations regarding preferred stock dividends, including undeclared dividends from previous periods.

The following table sets forth selected historical information regarding cash flows from our Consolidated Statements of Cash Flows:

	For the Six Months Ended July 31,	
	2024	2023
	(in thousands)	
Net cash used in operating activities	$ (3,695)	$ (3,477)
Net cash provided by investing activities	311	234
Net cash provided by financing activities	—	2,947
Effect of changes in foreign exchange rates on cash and cash equivalents	(1)	12
Net decrease in cash and cash equivalents	$ (3,385)	$ (284)

As of July 31, 2024, we had working capital of approximately $20.3 million, including cash and cash equivalents of approximately $1.9 million, as compared to working capital of approximately $18.1 million, including cash and cash equivalents of approximately $5.3 million, at January 31, 2024.

Cash Flows from Operating Activities. Net cash used in operating activities was approximately $3.7 million in the first six months of fiscal 2025 as compared to approximately $3.5 million in the first six months of fiscal 2024. The increase in net cash used in operating activities in the first six months of fiscal 2025 compared to the prior year period was due mainly to an increase in accounts receivable and inventories.

Cash Flows from Investing Activities. Cash provided by investing activities during the first six months of fiscal 2025 increased approximately $77,000 over the same period in fiscal 2024. The increase relates primarily to sales of other equipment.

Cash Flows from Financing Activities. Net cash provided by financing activities during the first six months of fiscal 2024 consisted of approximately $2.9 million of net proceeds related to short-term loans (see Note 10 - "Notes Payable" for additional details).

We have determined that the undistributed earnings of foreign subsidiaries are not deemed indefinitely reinvested outside of the United States as of July 31, 2024. Furthermore, we have concluded that any deferred taxes with respect to the undistributed foreign earnings would be immaterial.

As of July 31, 2024, we had deposits in foreign banks equal to approximately $1.4 million, all of which we believe could be distributed to the United States without adverse tax consequences. However, in certain cases, the transfer of these funds may result in withholding taxes payable to foreign taxing authorities. If withholding taxes should become payable, we believe the amount of tax withheld would be immaterial.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Estimates

Information regarding our critical accounting estimates is included in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended January 31, 2024. There have been no material changes to our critical accounting estimates during the three- and six-month periods ended July 31, 2024.

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

We are exposed to market risk, which is the potential loss arising from adverse changes in market prices and rates. We have not entered, and do not intend to enter, into derivative financial instruments for hedging or speculative purposes.

Foreign Currency Risk

We operate in several foreign locations, which gives rise to risk from changes in foreign currency exchange rates. To the extent possible, we attempt to denominate our transactions in foreign locations in U.S. dollars. For those cases in which transactions are not denominated in U.S. dollars, we are exposed to risk from changes in exchange rates to the extent that non-U.S. dollar revenues exceed non-U.S. dollar expenses related to those transactions. Our non-U.S. dollar transactions are denominated primarily in British pounds, Singapore dollars and European Union euros. As a result of these transactions, we generally hold cash balances that are denominated in these foreign currencies. At July 31, 2024, our consolidated cash and cash equivalents included foreign currency denominated amounts equivalent to approximately $511,000 in U.S. dollars. A 10% increase in the U.S. dollar as compared to each of these currencies would result in a loss of approximately $51,000 in the U.S. dollar value of these deposits, while a 10% decrease would result in an equal amount of gain. We do not currently hold or issue foreign exchange contracts or other derivative instruments to hedge these exposures.

Interest Rate Risk

As of July 31, 2024, we had no debt.

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officers and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Our principal executive officer and principal financial officer have concluded that our current disclosure controls and procedures were not effective as of July 31, 2024, due to a material weakness in our internal control over financial reporting relating to the existence of inventory that was disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2024.

Remediation

As previously described in Part II, Item 9A, "Controls and Procedures" of our Annual Report on Form 10-K for the fiscal year ended January 31, 2024, we are implementing a remediation plan to address the material weakness in our internal controls over the existence of inventory. The weakness will remain unresolved until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

Other than changes in connection with the remediation plan discussed above, there was no change in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended July 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. ***Legal Proceedings***

From time to time, we are a party to legal proceedings arising in the ordinary course of business. We are not currently a party to any legal proceedings, individually or collectively, that we believe could have a material adverse effect on our results of operations or financial condition or is otherwise material.

Item 1A. ***Risk Factors***

In addition to the other information set forth elsewhere in this Form 10-Q, you should carefully consider the risks discussed in our Annual Report on Form 10-K for the year ended January 31, 2024, which risks could materially affect our business, financial condition or future results. There have been no material changes in our risk factors from those described in our Annual Report on Form 10-K for the year ended January 31, 2024. The risks described in our Annual Report on Form 10-K for the year ended January 31, 2024, are not the only risks the Company faces. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, or future results.

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

(a) Not applicable.
(b) Not applicable.
(c) Not applicable.

Item 3. ***Defaults Upon Senior Securities***

Not applicable.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

Not applicable.

Table of Contents

Item 6. *Exhibits*

Exhibits

The exhibits marked with the cross symbol (†) are filed (or furnished in the case of Exhibit 32.1) with this Form 10-Q.

Exhibit Number	Document Description	Form	Exhibit Reference
2.1	A Stock Purchase Agreement dated as of August 21, 2023, by and among General Oceans, Inc., Klein Marine Systems Inc. and MIND Technology, Inc.	Current Report on Form 8-K, filed with the SEC on August 21, 2023.	10.1
3.1	Amended and Restated Certificate of Incorporation of MIND Technology, Inc.	Current Report on Form 8-K, filed with the SEC on August 7, 2020.	3.3
3.2	Certificate of Amendment of Certificate of Incorporation of MIND Technology, Inc., effective as of October 12, 2023.	Current Report on Form 8-K, filed with the SEC on October 13, 2023.	3.1
3.3	Amended and Restated Bylaws of MIND Technology, Inc.	Current Report on Form 8-K, filed with the SEC on August 7, 2020.	3.4
3.4	Certificate of Designations, Preferences and Rights of MIND Technology, Inc. 9.00% Series A Cumulative Preferred Stock	Current Report on Form 8-K, filed with the SEC on August 7, 2020.	3.5
3.5	Certificate of Amendment of Certificate of Designations, Preferences and Rights of MIND Technology, Inc. 9.00% Series A Cumulative Preferred Stock	Form 8-K filed with the SEC on September 25, 2020.	3.1
3.6	Second Certificate of Amendment of Certificate of Designations, Preferences and Rights of MIND Technology, Inc. 9.00% Series A Cumulative Preferred Stock	Registration Statement on Form S-1 filed with the SEC on October 25, 2021.	3.5
3.7	Third Certificate of Amendment of Certificate of Designations, Preferences and Rights of MIND Technology, Inc. 9.00% Series A Cumulative Preferred Stock	Form 8-K filed with the SEC on November 4, 2021.	3.3
3.8	Fourth Certificate of Amendment of Certificate of Designations, Preferences and Rights of MIND Technology, Inc. 9.00% Series A Cumulative Preferred Stock	Form 8-K filed with the SEC on October 13, 2023.	3.2
3.9	Texas Certificate of Merger, effective as of August 3, 2020	Current Report on Form 8-K, filed with the SEC on August 7, 2020.	3.1
3.10	Delaware Certificate of Merger, effective as of August 3, 2020	Current Report on Form 8-K, filed with the SEC on August 7, 2020.	3.2
31.1†	Certification of Robert P. Capps, Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended		
31.2†	Certification of Mark A. Cox, Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended		
32.1†	Certification of Robert P. Capps, Chief Executive Officer, and Mark A. Cox, Chief Financial Officer, under Section 906 of the Sarbanes Oxley Act of 2002, 18 U.S.C. § 1350		
101.INS†	Inline XBRL Instance Document		
101.SCH†	Inline XBRL Taxonomy Extension Schema Document		
101.CAL†	Inline XBRL Taxonomy Extension Calculation of Linkbase Document		
101.DEF†	Inline XBRL Taxonomy Extension Definition Linkbase Document		
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document		
101.PRE†	Inline XBRL Taxonomy Extension Presentation Linkbase Document		
104†	Cover Page Interactive Data File (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.

MIND TECHNOLOGY, INC.

Date: September 12, 2024

/s/ Robert P. Capps
Robert P. Capps
President and Chief Executive Officer

(Duly Authorized Officer)

Exhibit 31.1

CERTIFICATION

I, Robert P. Capps, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended July 31, 2024 of MIND Technology, 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.

/s/ Robert P. Capps
Robert P. Capps
President, Chief Executive Officer and Director
(Principal Executive Officer)
September 12, 2024

CERTIFICATION

I, Mark A. Cox, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended July 31, 2024 of MIND Technology, 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.

/s/ Mark A. Cox
Mark A. Cox
Chief Financial Officer and Vice President of Finance and Accounting
(Principal Financial Officer)
September 12, 2024

Exhibit 32.1

**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 of MIND Technology, Inc. (the “Company”) on Form 10-Q for the quarterly period ended July 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Robert P. Capps, Chief Executive Officer of the Company, and Mark A. Cox, Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert P. Capps
Robert P. Capps
President, Chief Executive Officer and Director
(Principal Executive Officer)
September 12, 2024

/s/ Mark A. Cox
Mark A. Cox
Chief Financial Officer and Vice President of Finance and Accounting
(Principal Financial Officer)
September 12, 2024