

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

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED: March 31, 2025

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 333-147980

ORIGINCLEAR, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

26-0287664

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

**13575 58th Street North
Suite 200**

Clearwater, FL 33760

(Address of principal executive offices, Zip Code)

(727) 440-4603

(Registrant's telephone number, including area code)

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

| Title of each class | Ticker symbol(s) | Name of each exchange on which registered |
|---------------------|------------------|--|
| N/A | N/A | N/A |

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the 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 | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

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

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

As of May 19, 2025, there were 15,880,737,802 shares of common stock, par value \$0.0001 per share, issued and outstanding.

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PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****ORIGINCLEAR, INC. AND SUBSIDIARIES**
Condensed Consolidated Balance Sheets

| | March 31, 2025 | December 31, 2024 |
|---|---------------------------|------------------------------|
| | (unaudited) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,898,564 | \$ 550,884 |
| Contracts receivable, net | 670,986 | 2,503,416 |
| Fair value investment in securities | 22,604 | 31,646 |
| Contract assets | 852,446 | 1,246,080 |
| Prepaid expenses | 8,809 | - |
| TOTAL CURRENT ASSETS | 3,453,409 | 4,332,026 |
| Net property and equipment | 49,278 | 55,869 |
| NET PROPERTY AND EQUIPMENT | 49,278 | 55,869 |
| OTHER ASSETS | | |
| Security Deposit | 19,051 | 19,051 |
| Fair value investment-securities | 3,200 | 3,200 |
| ROU asset, net | 556,149 | 580,393 |
| TOTAL OTHER ASSETS | 578,400 | 602,644 |
| TOTAL ASSETS | \$ 4,081,087 | \$ 4,990,539 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and other payable | \$ 1,359,656 | \$ 2,008,791 |
| Accrued expenses | 6,467,699 | 5,501,360 |
| Cumulative preferred stock dividends payable | 697,377 | 589,768 |
| Contract liabilities | 3,290,909 | 4,111,797 |
| Lease liability | 100,223 | 96,113 |
| Warranty reserve | 50,000 | 50,000 |
| Loans payable, current | 149,312 | 150,000 |
| Related party loan | 174,481 | 238,046 |
| Tax liability 83(b) | 13,600 | 13,600 |
| Derivative liabilities | 13,280,135 | 14,651,326 |
| Series F Preferred Stock, 50 and 50 shares issued and outstanding, respectively | 50,000 | 50,000 |
| Series G Preferred Stock, 25 and 25 shares issued and outstanding, respectively | 25,000 | 25,000 |
| Series I Preferred Stock, 25 and 25 shares issued and outstanding, respectively | 25,000 | 25,000 |
| Series K Preferred Stock, 297.15 and 297.15 shares issued and outstanding, respectively, respectively | 297,150 | 297,150 |
| Convertible secured promissory notes | 21,363,639 | 21,363,639 |
| Convertible promissory notes, net of discount of \$0 and \$0, respectively | 597,944 | 597,944 |
| TOTAL CURRENT LIABILITIES | 47,942,125 | 49,769,534 |
| Long Term Liabilities | | |
| Convertible promissory notes, net of discount of \$0 and \$0, respectively | 2,019,748 | 2,019,748 |
| Lease liability, non current | 474,533 | 501,123 |
| TOTAL LONG TERM LIABILITIES | 2,494,281 | 2,520,871 |
| TOTAL LIABILITIES | 50,436,406 | 52,290,405 |
| COMMITMENTS AND CONTINGENCIES | | |
| Series J Convertible Preferred Stock, 210 and 210 shares issued and outstanding, respectively | 210,000 | 210,000 |

| | | |
|--|------------------|------------------|
| Series L Convertible Preferred Stock, 320.5 and 320.5 shares issued and outstanding, respectively | 320,495 | 320,495 |
| Series M Preferred Stock, 40,300 and 40,300 shares issued and outstanding, respectively | 1,007,500 | 1,007,500 |
| Series O Convertible Preferred Stock, 185 and 185 shares issued and outstanding, respectively | 185,000 | 185,000 |
| Series P Convertible Preferred Stock, 30 and 30 shares issued and outstanding | 30,000 | 30,000 |
| Series Q Convertible Preferred Stock, 410 and 410 shares issued and outstanding, respectively | 410,000 | 410,000 |
| Series R Convertible Preferred Stock, 1,473 and 1,473 shares issued and outstanding, respectively | 1,473,000 | 1,473,000 |
| Series S Convertible Preferred Stock, 110 and 110 shares issued and outstanding, respectively | 110,000 | 110,000 |
| Series U Convertible Preferred Stock, 270 and 270 shares issued and outstanding, respectively | 270,000 | 270,000 |
| Series W 12% Convertible Preferred Stock, 696.50 and 696.5 shares issued and outstanding, respectively | 696,500 | 696,500 |
| Series Y Convertible Preferred Stock, 28.8 and 28.4 shares issued and outstanding, respectively | 2,870,227 | 2,845,227 |
| | <u>7,582,722</u> | <u>7,557,722</u> |

SHAREHOLDERS' DEFICIT

| | | |
|--|---------------------|---------------------|
| Preferred stock, \$0.0001 par value, 600,000,000 shares authorized 1,000 and 1,000 shares of Series C issued and outstanding, respectively 31,500,000 and 31,500,000 shares of Series D-1 issued and outstanding, respectively | 3,150 | 3,150 |
| Common stock, \$0.0001 par value, 16,000,000,000 and 16,000,000,000 shares authorized 1,748,196,540 and 1,672,117,519 equity shares issued and outstanding, respectively | 174,820 | 167,213 |
| Additional paid in capital | 87,078,173 | 85,399,199 |
| Noncontrolling interest | (3,143,872) | (3,033,244) |
| Accumulated other comprehensive loss | (132) | (132) |
| Accumulated deficit | (138,050,180) | (137,393,774) |
| TOTAL SHAREHOLDERS' DEFICIT | <u>(53,938,041)</u> | <u>(54,857,588)</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT | <u>\$ 4,081,087</u> | <u>\$ 4,990,539</u> |

See accompanying Notes to Consolidated Financial Statements.

ORIGINCLEAR, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended | |
|--|---------------------------|---------------------------|
| | March 31, 2025 | March 31, 2024 |
| Revenue | \$ 2,097,050 | \$ 943,437 |
| Cost of goods sold | 1,404,436 | 1,055,940 |
| Gross profit (loss) | <u>692,614</u> | <u>(112,503)</u> |
| Operating expenses | | |
| Selling and marketing expenses | 362,992 | 588,964 |
| General and administrative expenses | 1,173,570 | 1,215,790 |
| Total Operating expenses | <u>1,536,562</u> | <u>1,804,754</u> |
| Loss from Operations | <u>(843,948)</u> | <u>(1,917,257)</u> |
| OTHER INCOME (EXPENSE) | | |
| Other income | 190 | 809 |
| Impairment of receivable from SPAC | - | (590,000) |
| Gain on write off of payables | 249,334 | - |
| Unrealized gain (loss) on investment securities | (9,042) | 27,125 |
| Preferred stock incentive compensation | (773,444) | - |
| Loss from settlement of shares | | (212,635) |
| Conversion and settlement value added to note purchase agreements | - | (692,000) |
| Gain on redemption of common stock | - | 687,678 |
| Gain (loss) on net change in derivative liability and conversion of debt | 1,371,191 | (12,767,194) |
| Interest and dividend expense | (761,315) | (645,444) |
| TOTAL OTHER EXPENSE | <u>76,914</u> | <u>(14,191,661)</u> |
| Net loss | <u>\$ (767,034)</u> | <u>\$ (16,108,918)</u> |
| BASIC AND DILUTED (per share) | <u>\$ (0.00)</u> | <u>\$ (0.01)</u> |
| WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING, BASIC AND DILUTED (in shares) | <u>1,706,942,790</u> | <u>1,443,544,402</u> |

See accompanying Notes to Consolidated Financial Statements.

ORIGINCLEAR, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Deficit
(Unaudited)

| | Preferred stock | | Mezzanine Equity | Common stock | | Additional Paid-in- Capital | Subscription Payable | OCL | NCI | Accumulated Deficit | Total |
|---|------------------------|-----------------|-----------------------------|----------------------|-------------------|--|---------------------------------|-----------------|-----------------------|--------------------------------|------------------------|
| | Shares | Amount | | Shares | Amount | | | | | | |
| Balance at December 31, 2023 | 31,501,000 | \$ 3,150 | \$ 7,522,722 | 1,399,782,046 | \$ 139,978 | \$ 81,949,274 | \$ 100,000 | \$ (132) | \$ (2,239,493) | \$ (119,216,735) | \$ (39,263,958) |
| Rounding | | | - | - | (3) | 3 | | | | - | 1 |
| Shares redeemed/cancelled for Note Purchase Agreement | - | - | - | (83,352,197) | (8,335) | (679,343) | - | - | - | - | (687,678) |
| Common stock issued for alternative vesting | - | - | - | 20,937,829 | 2,094 | 167,502 | - | - | - | - | 169,596 |
| Common stock issued for Conversion Settlement | - | - | - | 19,330,459 | 1,933 | 210,702 | - | - | - | - | 212,635 |
| Common stock issued for conversion of Series Q Preferred stock | - | - | (20,000) | 4,576,458 | 458 | 19,542 | - | - | - | - | 20,000 |
| Common stock issued for conversion of Series R Preferred stock | - | - | (135,000) | 30,496,772 | 3,050 | 131,950 | - | - | - | - | 135,000 |
| Common stock issued for conversion of Series S Preferred stock | - | - | (10,000) | 2,272,728 | 227 | 9,773 | - | - | - | - | 10,000 |
| Common stock issued for conversion of Series W Preferred stock | - | - | (50,000) | 11,655,012 | 1,166 | 48,835 | - | - | - | - | 50,001 |
| Common stock issued for conversion of Series Y Preferred stock | - | - | (240,000) | 52,047,138 | 5,205 | 234,795 | - | - | - | - | 240,000 |
| Common stock issued at fair value for services | - | - | - | 20,698,356 | 2,070 | 211,011 | - | - | - | - | 213,081 |
| Common stock issued for Series O Preferred stock dividends | - | - | - | 172,730 | 17 | (17) | - | - | - | - | - |
| Issuance of Series Y Preferred stock through a private placement | - | - | 252,500 | - | - | - | - | - | - | - | - |
| Exchange of Series F preferred stock for Series Q preferred stock | - | - | 10,000 | - | - | - | - | - | - | - | - |
| Exchange of Series K preferred stock for Series W preferred stock | - | - | 10,000 | - | - | - | - | - | - | - | - |
| Issuance of warrants | - | - | - | - | - | 426,230 | - | - | - | - | 426,230 |
| Net Loss | - | - | - | - | - | - | - | - | (208,107) | (15,900,811) | (16,108,918) |
| Balance at March 31, 2024 | <u>31,501,000</u> | <u>\$ 3,150</u> | <u>\$ 7,340,222</u> | <u>1,478,617,331</u> | <u>\$ 147,860</u> | <u>\$ 82,730,257</u> | <u>\$ 100,000</u> | <u>\$ (132)</u> | <u>\$ (2,447,600)</u> | <u>\$ (135,117,546)</u> | <u>\$ (54,584,010)</u> |

| | Preferred stock | | Mezzanine Equity | Common stock | | Additional Paid-in- Capital | Subscription Payable | OCL | NCI | Accumulated Deficit | Total |
|---|------------------------|---------------|-----------------------------|---------------------|---------------|--|---------------------------------|------------|----------------|--------------------------------|-----------------|
| | Shares | Amount | | Shares | Amount | | | | | | |
| Balance at December 31, 2024 | 31,501,000 | \$ 3,150 | \$ 7,557,722 | 1,672,117,519 | \$ 167,213 | 85,399,199 | \$ - | \$ (132) | \$ (3,033,244) | \$ (137,393,774) | \$ (54,857,588) |
| Rounding | - | - | - | (1) | (3) | - | - | - | - | - | (1) |
| Shares issued, Series Y | - | - | 25,000 | - | - | - | - | - | - | - | - |
| Shares issued as compensation for employees at fair value | - | - | - | 25,415,015 | 2,542 | 58,262 | - | - | - | - | 60,804 |
| Shares issued as compensation, fair value | - | - | - | 46,634,094 | 4,663 | 112,949 | - | - | - | - | 117,612 |
| Shares issued, Regulation A | - | - | - | 3,189,000 | 319 | 31,890 | - | - | - | - | 32,209 |
| Shares issued, Series O | - | - | - | 840,912 | 84 | (84) | - | - | - | - | - |
| WODI Series A issued for cash | - | - | - | - | - | 1,475,957 | - | - | - | - | 1,475,957 |

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| | | | | | | | | | | | |
|---------------------------|-------------------|-----------------|--------------------|----------------------|-------------------|---------------------|-------------|-----------------|----------------------|------------------------|-----------------------|
| Net Loss | - | - | - | - | - | - | - | - | (110,628) | (656,406) | (767,034) |
| Balance at March 31, 2025 | <u>31,501,000</u> | <u>\$ 3,150</u> | <u>\$7,582,722</u> | <u>1,748,196,539</u> | <u>\$ 174,820</u> | <u>\$87,078,173</u> | <u>\$ 0</u> | <u>\$ (132)</u> | <u>\$(3,143,872)</u> | <u>\$(138,050,180)</u> | <u>\$(53,938,041)</u> |

See accompanying Notes to Consolidated Financial Statements.

ORIGINCLEAR, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited)

| | Three Months Ended | |
|--|----------------------------|--------------------------|
| | March 31, | |
| | March 31, | March 31, |
| | 2025 | 2024 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (767,034) | \$ (16,108,918) |
| Adjustment to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 30,835 | 7,264 |
| Common and preferred stock issued for services | - | 213,081 |
| (Gain) loss on net change in valuation of derivative liability | (1,371,191) | 12,767,194 |
| Common and preferred stock issued for services, related party | 117,612 | - |
| Stock based compensation expense, related party | 60,804 | 169,596 |
| Stock incentive compensation | 773,444 | - |
| Loss from settlement of shares | - | 212,635 |
| Net unrealized loss on fair value of securities | 9,042 | (27,125) |
| Impairment of receivable from SPAC | - | 590,000 |
| Conversion and settlement value loss on WODI | - | 692,000 |
| Gain on redemption of common stock | - | (687,678) |
| Gain on write off of payable | (249,334) | - |
| Change in Assets (Increase) Decrease in: | | |
| Contracts receivable | 1,832,431 | 758,374 |
| Contract asset | 393,634 | 101,791 |
| Right of use asset | 24,244 | - |
| Prepaid expenses and other assets | (8,809) | (11,936) |
| Accounts payable | (649,133) | (341,187) |
| Lease liability | (22,480) | - |
| Accrued expenses | 425,481 | 487,156 |
| Contract liabilities | (820,888) | 451,997 |
| Net cash used in operating activities | <u>(221,342)</u> | <u>(725,756)</u> |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | |
| Purchase of SPAC notes payable | - | (590,000) |
| Payments received on long term asset | - | 33,000 |
| Purchase of fixed assets | <u>(7,500)</u> | <u>(4,500)</u> |
| Net cash used in investing activities | <u>(7,500)</u> | <u>(561,500)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on loan payable, SBA | (688) | (660) |
| Payments on line of credit | - | (89,040) |
| Payments on loans, merchant cash advance | - | (110,695) |
| Payments on loans, related party | (63,564) | - |
| Net payments on cumulative preferred stock dividends | 107,608 | 20,261 |
| Proceeds from convertible secured promissory notes | - | 960,000 |
| Common stock issued for Reg A cash | 32,209 | - |
| Proceeds from issuance of series A preferred stock | 1,475,957 | 426,230 |
| Net proceeds for issuance of preferred stock for cash - mezzanine classification | <u>25,000</u> | <u>252,500</u> |
| Net cash provided by financing activities | <u>1,576,522</u> | <u>1,458,596</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | 1,347,680 | 171,340 |
| CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD | 550,884 | 488,830 |
| CASH AND CASH EQUIVALENTS END OF PERIOD | <u>\$ 1,898,564</u> | <u>\$ 660,170</u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

| | | |
|-----------------------------|-----------|------|
| Interest and dividends paid | \$ 56,428 | \$ - |
| Taxes paid | \$ - | \$ - |

SUPPLEMENTAL DISCLOSURES OF NON CASH TRANSACTIONS

| | | |
|---|-------|------------|
| Issuance of Series O dividends | \$ 84 | \$ 17 |
| Preferred stock converted to common stock - mezzanine | \$ - | \$ 455,000 |

See accompanying Notes to Consolidated Financial Statements.

ORIGINCLEAR, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(unaudited)

1. Organization, Basis of Presentation, and Going Concern

Organization

OriginClear, Inc. (“OriginClear,” “OCLN,” or the “Company”), a Nevada corporation formed on June 1, 2007, develops businesses that address industrial and decentralized water-treatment needs. The Company’s principal executive office is located at 13575 58th Street North, Suite 200, Clearwater, Florida 33760.

Subsidiaries

OriginClear’s principal subsidiary is Water On Demand, Inc. (WODI), which was created on September 21, 2023 through a merger with Progressive Water Treatment, Inc. (“PWT”), which was originally acquired by the Company on October 1, 2015.

As of 31 March 2025, WODI had three divisions: PWT, which specializes in engineered water treatment solutions and is a key revenue contributor. Modular Water Systems (“MWS”), launched in 2018, designed modular water wastewater treatment systems for decentralized applications. Water On Demand (WOD) is a vehicle for financing Design-Build-Own-Operate (DBOO) water services, focusing on pay-per-gallon water treatment solutions.

Subsequently, on May 08, 2025, Water On Demand Inc. announced its plan to focus entirely on developing and providing financing services for, instead of competing with, water equipment companies. As a first step in the new plan, Daniel M. Early, President and Chief Engineer of the Modular Water Systems (MWS) business unit of WODI, agreed to sunset the MWS unit over the next 60 days. As a result, PWT became the sole revenue contributor, while the Company focused on developing WOD for the financial services mission.

OriginClear manages a second subsidiary, Water On Demand #1, which was created to hold funds raised in the Company’s Series Y offering for prospective DBOO projects. These funds were loaned to WODI to fund a merger. As of March 31, 2025, WODI owed WOD #1 \$2,870,227. Investors have been receiving quarterly stock grants in WODI as discretionary interest payments in proportion to their contribution, and as of filing, WODI plans to purchase OCLN shares on behalf of investors, with a view to eliminating the debt.

A third subsidiary, OriginClear Technologies Ltd, is an inactive Hong Kong entity.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with U.S. GAAP for interim periods and with SEC Regulation S-X Rule 10-01. In the opinion of management, all normal, recurring adjustments necessary for a fair presentation have been included. Results for the three months ended March 31, 2025, are not necessarily indicative of results for the full year. These interim statements should be read in conjunction with the Company’s audited financial statements included in its Form 10-K for the year ended December 31, 2024. All intercompany balances and transactions have been eliminated in consolidation.

Going concern

The consolidated financial statements are prepared on a going concern assuming continuing operations. However, due to recurring losses and limited cash resources, the Company’s auditors have expressed substantial doubt about its ability to continue as a going concern.

To address this, management is actively seeking funding through convertible notes and preferred stock offerings while leveraging revenues from existing purchase orders and outstanding invoices. While management believes these efforts will support operations, there is no assurance that financing will be available or sufficient. Future financing may involve restrictive covenants or result in shareholder dilution.

2. Summary of significant accounting policies

Principles of consolidation

The unaudited condensed consolidated financial statements include OriginClear, Inc. and its wholly owned subsidiaries: WODI, Water on Demand #1, and OriginClear Technologies Ltd. All material intercompany balances and transactions are eliminated.

Cash and cash equivalents

Cash equivalents are highly liquid investments with original maturities of three months or less.

Use of estimates

Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue, and expenses and related disclosures. Key estimates include impairment of long-lived assets, percentage-of-completion revenue, collectability of receivables, warranty reserves, inventory valuation, fair value of derivative liabilities, fair value of investments, stock-based compensation, and valuation allowances on deferred tax assets. Actual results could differ from those estimates.

Revenue recognition

The Company recognizes revenue under ASC 606. Product revenue is recorded at shipment when control transfers. Construction-type contracts are recognized over time using an input-cost method that depicts transfer of control to the customer. Contract losses are recognized immediately when determined. Contract receivables, contract assets, and contract liabilities reflect the timing difference between performance and customer billing.

Net loss per share

Basic loss per share is computed by dividing net losses attributable to common shareholders by the weighted average common shares outstanding. Diluted loss per share is the same as basic for the three months ending March 31, 2025, and 2024 because potential common shares were anti-dilutive.

Loss per share

| | For the Three Months Ended March 31, | |
|---|---|------------------------|
| | 2025 | 2024 |
| Loss to common shareholders (Numerator) | <u>\$ (767,034)</u> | <u>\$ (16,108,918)</u> |
| Basic and diluted weighted average number of common shares outstanding (Denominator) | <u>1,706,942,790</u> | <u>1,443,544,402</u> |

The Company excludes issuable shares from warrants, convertible notes and preferred stock, if their impact on the loss per share is anti-dilutive and includes the issuable shares if their impact is dilutive.

Contract receivables and allowance for doubtful accounts

Contract receivables are stated at billed amounts less an allowance for doubtful accounts of \$126,746 at March 31, 2025, and \$0 at December 31, 2024. The allowance is based on review of aged receivables, customer credit risk, and current economic conditions.

The net contract receivable balance, after deducting the allowance for doubtful accounts, was \$670,986 and \$2,503,416, respectively.

Prepaid expenses

Prepaid expenses represent payments made by the Company in advance for goods or services that provide future economic benefits. These amounts are recorded as assets upon payment and subsequently expensed over the periods in which the related benefits are realized, in accordance with the matching principle.

As of March 31, 2025, and December 31, 2024, the prepaid expenses balance was \$8,809 and \$0, respectively.

Property and equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over estimated useful lives of three to 10 years. Depreciation expense was \$30,835 and \$7,264 for the three months ended March 31, 2025 and 2024, respectively. Long-lived assets are reviewed for impairment under ASC 360 when events indicate their carrying amount may not be recoverable.

| | March 31, 2025 | December 31, 2024 |
|---------------------------------|-------------------|----------------------|
| Machinery and equipment | \$ 148,130 | \$ 148,131 |
| Leasehold improvements | 85,348 | 85,348 |
| Computer equipment and software | 66,491 | 66,491 |
| Vehicles | 64,277 | 64,277 |
| Demo Units | 36,139 | 36,139 |
| Furniture and fixtures | 27,452 | 27,452 |
| Gross property and equipment | 427,837 | 427,838 |
| Less accumulated depreciation | (378,559) | (371,969) |
| Net property and equipment | <u>\$ 49,278</u> | <u>\$ 55,869</u> |

Leases

The Company accounts for leases under ASC 842. Right-of-use (“ROU”) assets and lease liabilities are recognized at lease commencement based on present value of lease payments, using the Company’s incremental borrowing rate when the implicit rate is not readily determinable. Lease expense is recognized on a straight-line basis. Short-term leases (12 months or less) are expensed as incurred.

Stock-based compensation

Stock-based compensation is measured at grant-date fair value and recognized over the vesting period for employees, and at measurement date for non-employees, in accordance with ASC 718. Warrants issued for services or financing are recorded at fair value on the grant date.

Derivatives

The Company evaluates all financial instruments for derivative features and records derivatives at fair value with changes in fair value recognized in earnings. A binomial lattice model is used to value stock-based derivatives. Classification between equity and liability is reassessed each reporting period.

Fair value of financial instruments

Financial instruments measured at fair value follow ASC 820’s three-level hierarchy. Level 1 inputs are quoted prices for identical assets in active markets; level 2 are observable inputs other than quoted prices; Level 3 are unobservable inputs. Derivative liabilities are Level 3 and are re-measured at each reporting period.

ASC 820-10-50-2A permits omission of disclosures from interim financial statements if there have been no material changes in valuation techniques, inputs or measurements since the most recent annual reporting period. Because there have been no material changes in our level 1 or level 2 fair-value measurements since December 31, 2024, the Company has omitted the full hierarchy table for those levels in this Form 10-Q.

The following table reconciles the Company’s Level 3 derivative liabilities for the three months ended March 31, 2025:

| | Total | (Lvl 1) | (Lvl 2) | (Lvl 3) |
|--|---------------------|----------|----------|---------------------|
| Convertible notes liability | \$(13,224,525) | \$ - | \$ - | \$(13,224,525) |
| Warrants liability | (55,610) | - | - | (55,610) |
| Total derivative liability, March 31, 2025 | <u>(13,280,135)</u> | <u>-</u> | <u>-</u> | <u>(13,280,135)</u> |

Significant unobservable inputs used in the March 31, 2025 valuation include the risk-free interest rate, expected share-price volatility, expected term of the instruments and the Company's closing share price.

Goodwill and Indefinite-lived intangibles

Business combinations are accounted for under ASC 805. Goodwill and indefinite-lived intangibles are tested annually, or more frequently if events warrant, under ASC 350. No impairment was identified as of March 31, 2025, or 2024.

Segment Reporting

Under ASC 280, the Company operates as a single reportable segment because its three distinct operating segments – PWT, MWS and WODI share similar economic characteristics, products and services, and customers. The Chief Executive Officer, the Chief Operating Decision Maker, reviews consolidated results to allocate resources.

Marketable Securities

Investments not accounted for under the equity method are measured at fair value with changes recognized in earnings pursuant to ASU 2016-01. The Company's investment in Water Technologies International, Inc. is carried at fair value.

Work-in-process

Work-in-process represents costs incurred on contracts that have not yet been billed and are expected to be recovered through contract performance.

Recently issued accounting pronouncements

Management has evaluated all recently issued accounting standards and does not expect any to have a material effect on the Company's condensed consolidated financial statements.

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current-period presentation with no effect on previously reported net loss or shareholders' deficit.

3. Leases

The Company leases its production facility at 5225 W. Houston Street, Sherman, Texas under a non-cancellable operating lease that commenced on July 1, 2024, and expires on July 31, 2029 (61 months). The lease is triple-net; the Company pays all property taxes, insurance, and maintenance. The lease is accounted for under ASC 842.

Right-of-use asset and Lease liability

At commencement the Company recorded a ROU asset and corresponding lease liability measured at the present value of future lease payments, discounted at the Company's 11.84% incremental borrowing rate. As of March 31, 2025, the ROU asset, net of amortization, was \$556,149; the lease liability was \$574,756, of which \$100,223 is classified as current and \$474,533 as non-current.

Lease expense

For the three months ended March 31, 2025, lease-related expenses included ROU amortization of \$70,926 and interest expense on the lease liability of \$36,724. Because the facility supports manufacturing operations, both amounts are included in cost of goods sold.

Maturity of lease liability

Future minimum lease payments as of March 31, 2025, are as follows:

| Period | Amount |
|-----------------------------------|-------------------|
| Year 1 (remainder of fiscal year) | \$ 121,853 |
| Year 2 | 166,602 |
| Year 3 | 171,465 |
| Year 4 | 176,666 |
| Year 5 and thereafter | 104,867 |
| Total Lease Payments | \$ 741,453 |
| Less: Present Value Discount | (166,697) |
| Total Lease Liability | \$ 574,756 |

The lease contains no purchase options, residual value guarantees, or extension or termination options that the Company is reasonably certain to exercise.

4. Equity**OriginClear, Inc. Preferred Stock**

Series C – On March 14, 2017, the Board issued 1,000 non-convertible, non-dividend bearing Series C shares to the CEO for \$0.10; the shares carry 51% of the Company's voting power. 1,000 shares remained outstanding at March 31, 2025.

Series D-1 – 50,000,000 shares were designated on April 13, 2018. Each share is convertible into 0.0005 common shares, subject to a 4.99% (9.99% on 61-days' notice) ownership cap. 31,500,000 shares were outstanding at March 31, 2025.

Series F, G, I, K – These non-convertible 8% preferred series were required to be redeemed in 2020–2022. The Company has not redeemed the remaining 50 Series F, 25 Series G, 25 Series I, and 297.15 Series K shares, and is in default on an aggregate \$397,150 stated redemption value (see Item 3, Defaults Upon Senior Securities of the MD&A).

Series J, L, M, O, P, Q, R, S, U, W – These convertible or dividend-bearing series remain outstanding as detailed below. All are classified outside permanent equity because redemption is not solely within the Company's control or conversion prices are market-variable.

| Series | Stated value | Dividend rate | Convertible | Shares outstanding March 31, 2025 |
|---------------|---------------------|----------------------|--------------------|--|
| J | 1,000 | none (as converted) | yes | 210 |
| L | 1,000 | none (as converted) | yes | 320.5 |
| M | 25 | 10% cumulative | no | 40,300 |
| O | 1,000 | 8% cash, 4% stock | yes | 185 |
| P | 1,000 | none (as converted) | yes | 30 |
| Q | 1,000 | 12% cash | yes | 410 |
| R | 1,000 | 12% cash | yes | 1,473 |
| S | 1,000 | 12% cash | yes | 110 |
| U | 1,000 | none (as converted) | yes | 270 |
| W | 1,000 | 12% cash | yes | 696.5 |

Series Y

On December 6, 2021, the Company designated 3,000 shares of preferred stock as Series Y, with an original issue price of \$100,000 per share. Holders are entitled to annual distributions of up to 25% of net profits from designated subsidiaries, payable within three months of year-end. Series Y is convertible into common stock, subject to a 4.99% beneficial ownership limitation.

During the quarter ending March 31, 2025, the Company raised \$25,000 in gross proceeds from a private placement of Series Y preferred stock.

As of March 31, 2025, 28.8 shares of Series Y preferred stock were issued and outstanding.

OriginClear, Inc. Common Stock

In Q1 2025 the Company:

- issued 25,415,015 shares for services (grant-date fair value \$60,804, determined using the closing price on the grant dates, at per-share prices ranging from \$0.0022 - \$0.034.)
- issued 46,634,094 shares for employee bonuses (grant date fair value of \$117,612, determined using the closing price on the grant dates).
- issued 840,912 shares for Series O dividends
- issued 3,189,000 shares in Regulation A offering for \$32,209 cash.

After these transactions, 1,748,196,539 common shares were issued and outstanding at March 31, 2025.

In Q1 2024 the Company:

- issued 20,698,356 shares for services (grant-date fair value \$213,081, determined using the closing share price on the grant dates, at per share ranging from \$0.0065 - \$0.011.
- issued 172,730 shares for Series O dividends.
- issued 19,330,459 shares for settlement of conversion agreements (grant-date fair value \$212,635, determined using the closing share price on the settlement date.
- issued 20,937,829 shares for alternate vesting (fair value \$169,596, determined using the closing share price on the grant dates).
- issued 101,048,108 shares upon conversion of \$455,000 of preferred stock.

The Company redeemed 83,352,197 shares of common stock at a market price of \$0.01 per share with a gain in the amount of \$687,678.

Water on Demand, Inc. (“WODI”) Equity**Common Stock**

At March 31, 2025, WODI had 14,057,115 common shares outstanding; OriginClear owned 12,171,067 shares (86.58%) and unaffiliated investors held the balance.

Preferred Stock

On January 14, 2025, WODI filed a second amendment to its Certificate of Formation to authorize three series of preferred stock, reserving (i) 10,000,000 Series A shares for private placement, (ii) 1,000,000 Series B shares (none issued), and (iii) 1,000 Series C shares (all issued to the CEO; non-convertible, 51% voting control).

During the quarter ending March 31, 2025, WODI raised \$1,475,957 in proceeds from the sale of Series A Preferred Stock.

9,813,718 Series A shares were outstanding at March 31, 2025.

| Series | Stated value | Dividend rate | Convertible | Shares outstanding March 31, 2025 |
|--------|--------------|---------------------|-------------|--------------------------------------|
| A | 0.16 | none (as converted) | yes | 9,813,282 |
| B | 1.25 | up to 25% quarterly | yes | - |
| C | 0.10 | none (as converted) | no | 1,000 |

5. Restricted Stock Grants and Warrants - OCLN

Restricted Stock Grant Agreements (“RSGAs”)

The Company has outstanding performance-based RSGAs with its chief executive officer, directors, employees, and consultants. Shares vest only upon achievement of two cumulative, trailing-twelve-month milestones: (i) consolidated gross revenue of at least \$15 million and (ii) consolidated operating profit of at least \$1.5 million, both as reported under U.S. GAAP. Through March 31, 2025, neither milestone had been met; accordingly, no stock-based compensation expense has been recognized.

The Board subsequently approved an alternative vesting mechanism: if a milestone is not achieved but the fair-market value (“FMV”) of the Company’s common stock on a scheduled vesting date is below the FMV on the RSGA effective date, the number of shares that vest is adjusted so that the aggregate FMV of the vested shares equals the grant-date FMV. Once either Company performance milestone is met, only the original milestone-based vesting schedule will apply to any remaining unvested shares.

Warrants

A summary of OCLN’s warrant activity and related information for the three months ended March 31, 2025, is as follows:

| | Number of warrants | Weighted average exercise price |
|-----------------------------------|-----------------------|--|
| Outstanding - beginning of period | 79,142,589 | \$ 0.9603 |
| Granted | 3,274,000 | \$ 0.0397 |
| Exercised | - | \$ - |
| Expired | - | \$ - |
| Outstanding - end of period | 82,416,589 | \$ 0.9237 |

At March 31, 2025, the weighted average remaining contractual life of warrants outstanding:

| Exercisable Prices | Warrants Outstanding | Warrants Exercisable | Weighted Average Remaining Contractual Life (years) |
|-----------------------|-------------------------|-------------------------|--|
| \$ 0.0200 | 600,000 | 600,000 | 0.0073 |
| \$ 0.0275 | 8,727,273 | 8,727,273 | 0.1059 |
| \$ 0.1000 | 2,500,000 | 2,500,000 | 0.0303 |
| \$ 0.2500 | 56,109,816 | 56,109,816 | 0.6808 |
| \$ 1.0000 | 3,760,000 | 3,760,000 | 0.0456 |
| \$ 0.0100 | - | - | - |
| \$ - | 10,719,500 | 10,719,500 | 0.1301 |
| | <u>82,416,589</u> | <u>82,416,589</u> | |

WODI Warrants Issued

During the three months ended March 31, 2025, in connection with its private placement of Series A Preferred Stock, WODI issued fully vested warrants exercisable for a total of 12,512,282 shares of WODI common stock. These warrants carry an exercise price of \$0.16 per share and have expiration dates ranging from January 31, 2030, through March 31, 2030. An independent valuation of these warrants using the Black-Scholes model (volatility 29.3 % – 32.7 %; risk-free rate 3.96 % – 4.26 %; no dividend yield; common-stock FMV \$0.08611) determined aggregate grant-date fair value of \$153,797.

6. Convertible Promissory Notes

OriginClear, Inc.

As of March 31, 2025, the outstanding convertible promissory notes are as follows:

| | |
|------------------------------|---------------------|
| Convertible promissory notes | \$ 2,617,692 |
| Less current portion | <u>597,944</u> |
| Total long-term liabilities | <u>\$ 2,019,748</u> |

Maturities of long-term debt for the next five years are as follows:

| Period ending March 31, | Amount |
|---------------------------|---------------------|
| 2025 (remaining 9 months) | 82,473 |
| 2026 | 1,875,000 |
| 2027 | - |
| 2028 | 62,275 |
| 2029 | - |
| | <u>\$ 2,019,748</u> |

2014-2015 Notes

Between November 2014 and April 2015, the Company issued unsecured convertible promissory notes, referred to as the 2014-2015 Notes, which were later extended to maturity dates ranging from November 2023 through April 2024. These notes bear interest at an annual rate of 10% and are convertible into common stock at prices ranging from \$4,200 to \$9,800 per share or 50% of the lowest trade price following issuance. Due to the reset conversion terms, the conversion feature is classified as a derivative liability under ASC 815.

As of March 31, 2025, the remaining balance was \$683,700, classified as long-term.

OID Notes

The Company's unsecured convertible promissory notes, known as OID Notes, had an aggregate remaining balance of \$62,275 as of December 31, 2024. These notes were extended to mature on June 30, 2028, and include reset conversion terms, classifying them as derivatives under ASC 815. The conversion price was amended to the lesser of \$5,600 per share or 50% of the lowest trade price recorded since issuance.

As of March 31, 2025, the remaining balance was \$62,275, classified as long-term.

2015 Notes

The Company's 2015 unsecured convertible promissory notes bear interest at an annual rate of 10% and were extended to maturity dates ranging from February to August 2024. These notes are convertible at prices ranging from \$1,400 to \$5,600 per share or 50% of the lowest trade price post-issuance. The conversion feature is classified as a derivative liability under ASC 815.

As of March 31, 2025, the remaining balance was \$1,200,000, classified as long-term.

Dec 2015 Note

The Company issued a convertible promissory note, referred to as the December 2015 Note, for \$432,048 in exchange for accounts payable. The conversion price is 75% of the average of the three lowest last sale prices over the 25 trading days prior to conversion. Initially accounted for as a beneficial conversion feature under ASC 470, the note was later reclassified as a derivative under ASC 815.

As of March 31, 2025, the remaining balance was \$167,048, classified as short-term.

Sep 2016 Note

The Company issued a \$430,896 convertible note ("Sep 2016 Note") in exchange for accounts payable. The Sep 2016 Note has similar terms to the Dec 2015 Note, with a conversion price of 75% of the three lowest sale prices over 25 trading days. It is accounted for as a derivative under ASC 815 due to reset features.

As of March 31, 2025, the remaining balance was \$430,896, classified as short-term.

Nov 2020 Note

The Company issued a \$50,000 convertible promissory note ("Nov 2020 Note"), extended for 60 months, bearing 10% annual interest. The conversion price is the lesser of \$0.05 per share or 50% of the lowest trade price post-issuance. The conversion feature is treated as a derivative under ASC 815.

As of March 31, 2025, the remaining balance was \$13,772, classified as long-term.

Jan 2021 Note

On January 25, 2021, the Company entered into an unsecured convertible promissory note (the "Jan 21 Note") in the amount of \$60,000, which was received in full. The Jan 21 Note had an original maturity date of January 25, 2022, and was extended for an additional sixty (60) months from the maturity date. The note bears interest at 10% per year and may be converted into shares of the Company's common stock at a conversion price equal to the lower of (a) \$0.05 per share, (b) 50% of the lowest trade price of common stock recorded after the effective date, or (c) the lowest effective price per share granted.

For each conversion, if shares are not delivered by the fourth business day (inclusive of the day of conversion), a penalty of \$2,000 per day is assessed for each day after the third business day until the shares are delivered.

The conversion feature of the Jan 21 Note is accounted for as a derivative under ASC Topic 815, Derivatives and Hedging, due to its reset conversion features.

As of March 31, 2025, the balance of the Jan 21 Note was \$60,000, classified as long-term.

Derivative Liability

The Company evaluated the financing transactions under ASC Topic 815 and determined that the conversion feature of the convertible promissory notes does not qualify for exemption as a conventional convertible instrument due to its variable conversion rate. Since the note has no explicit limit on the number of shares issuable, it does not meet the equity classification criteria under current accounting standards.

The Company elected to recognize the note under ASC 815-15-25-4, separating it into a host contract and a derivative instrument. The entire note is measured at fair value, with changes in fair value recognized in earnings. A derivative liability was recorded to represent the imputed interest associated with the embedded derivative. This derivative liability is adjusted periodically to reflect fluctuations in the Company's stock price.

As of March 31, 2025, the derivative liability for the convertible promissory notes was \$13,224,526.

WODI

As of March 31, 2025, WODI had outstanding convertible secured promissory notes totaling \$21,363,639.

7. Revenue from Contracts with Customers

The Company recognized revenue in accordance with ASC 606. Equipment contracts and custom-pump station projects are satisfied over time; revenue is measured using an input-cost method that reflects the transfer of control to the customer. Component sales, service work, rental income, and training are point-in-time arrangements recognized upon shipment or completion of services. Contract losses are recorded immediately when identified. Indirect and corporate costs are expensed as incurred.

Disaggregated revenue

| Three months ended March 31 | 2025 | 2024 |
|-----------------------------|---------------------|-------------------|
| Equipment Contracts | \$ 1,512,503 | \$ 363,358 |
| Pump Stations | 316,564 | 296,360 |
| Component Sales | 258,864 | 206,387 |
| Services Sales | 9,119 | 70,534 |
| Rental Income | - | 6,573 |
| Commission & Training | - | 225 |
| | <u>\$ 2,097,050</u> | <u>\$ 943,437</u> |

Revenue recognition for other sales arrangements, such as component sales and service sales, remained materially consistent during the periods presented.

Contract balances

| | Contract assets | Contract liabilities |
|------------------------------------|----------------------------|---------------------------------|
| Balance at December 31, 2024 | \$ 1,246,080 | \$ 4,111,797 |
| Revenue recognized | 2,097,050 | (2,097,050) |
| Cash collected / reclassifications | (2,490,684) | 1,276,162 |
| Balance at March 31, 2025 | 852,446 | 3,290,909 |

Contract assets represent revenue recognized in excess of amounts billed; contract liabilities represent billings in excess of revenue recognized. All contract balances are classified as current because they are expected to settle within the normal operating cycle of the respective contracts. No material impairment of contract assets was recorded, and no significant changes in contract-estimate methodologies occurred during the period.

8. Financial Assets**Equity Security – Water Technologies International, Inc. (“WTII”)**

At March 31, 2025, the Company held 1,100,200 shares of WTII common stock. The investment is accounted for under ASC 321 and is measured at fair value on a recurring basis using quoted prices in an active market. (Level 1 input under ASC 820).

| | Fair value 12/31/2024 | Change in fair value | Fair value 3/31/2025 |
|-------------------|----------------------------------|---------------------------------|---------------------------------|
| WTII common stock | \$ 31,646 | \$ (9,042) | \$ 22,604 |

The \$9,042 unrealized loss for the three months ended March 31, 2025 is reported in Unrealized loss on investment securities within other income (expense) in the condensed consolidated statement of operations.

9. Loans Payable**Small Business Administration (EIDL) Loan**

On June 12, 2020, the Company received a \$150,000 Economic Injury Disaster Loan. Principal and interest payments commenced after the initial deferral period. The outstanding balance was \$149,312 at March 31, 2025.

Related Party Loans Payable

As of March 31, 2025, the Company had two outstanding promissory notes issued to its CEO, reviewed and approved by the Board under the Company's Related Party Transaction Policy for general corporate purposes.

The first note, issued on September 24, 2024, has a principal amount of \$98,000 and accrues interest at an annual rate of 10%. Monthly payments of \$9,212 began on October 24, 2024, with the full principal and any unpaid interest due on the earlier of March 24, 2025, or upon certain events of default.

The second note, issued on September 2, 2024, has a principal amount of \$208,000, consisting of a \$200,000 cash advance and an \$8,000 loan fee. It also carries an annual interest rate of 10%, with monthly payments of \$13,877 commencing on October 4, 2024.

As of March 31, 2025, the combined outstanding balance of both notes was \$174,481. For further details, see Footnote 14 – Related Party.

10. WODI

WODI, a majority-owned subsidiary of OriginClear, Inc., finances, builds, owns, and operates packaged water-treatment systems for customers under design-build-own-operate (“DBOO”) agreements that bill on a per-gallon basis. OriginClear holds 86.6% of WODI’s outstanding common stock and consolidates its results (see Note 2, Principles of Consolidation).

On April 14, 2023, WODI acquired the MWS business unit from OriginClear, Inc. The acquisition included all assets, licenses, patents, and associated transactions of MWS. From the acquisition date, all MWS revenues, accounts receivable, accounts payable, and liabilities were transferred to WODI.

On September 21, 2023, WODI merged with PWT, forming a combined entity operating under WODI. The merger was structured to enhance enterprise value in preparation for a planned business combination with FRLA. As part of the merger, all WODI shares and convertible notes were either exchanged or assumed, and in return, OriginClear, Inc. received 2,171,068 shares of the combined Water On Demand entity.

On October 24, 2023, WODI and FRLA entered into a definitive Business Combination Agreement with the goal of listing WODI on Nasdaq through a de-SPAC transaction. The following day, FRLA shareholders approved extending the deadline to complete the business combination to November 5, 2024, with provisions for twelve one-month extensions.

On December 9, 2024, WODI and FRLA mutually agreed to terminate the Business Combination Agreement due to prolonged regulatory delays, escalating costs, and increasing market uncertainties. Following this decision, FRLA announced it would cease operations and proceed with liquidation, offering its shareholders approximately \$11.94 per share from its trust account balance of about \$10 million.

Subsequent to March 31, 2025, on May 8th, 2025, WODI’s board approved plans to sunset the MWS business unit. On April 23, 2025, WODI announced the launch of its \$100 million Opportunity Zone Private Water Infrastructure Fund, and on May 8th, 2025, announced its strategic refocus on water fintech – eliminating competition with water equipment companies. See Note 16 for additional subsequent events and required disclosures.

Convertible Notes

At March 31, 2025 WODI had \$21,363,639 of secured convertible promissory notes outstanding (see Note 6).

Restricted-Stock Grant Agreements (WODI RSGA’s)

Between August 12, 2022 and August 3, 2023, WODI approved restricted-stock grant agreements covering up to 15,550,000 WODI common shares for directors, employees, and consultants. Shares vest upon the earlier of (i) WODI’s common stock being listed on a national securities exchange or (ii) the third anniversary of the grant date, subject in each case to quarterly trading-volume thresholds. No restricted shares vested during the three months ended March 31, 2025, and no compensation expense was recognized because vesting was not considered probable under ASC 718.

11. Commitments and Contingencies

Facility Lease

The Company occupies its production facility at 5225 W. Houston, Sherman, Texas, under a non-cancelable operating lease that began July 1, 2024. (see Note 3) The lease is triple-net, and the current monthly base rent is \$13,313. Lease payments due after March 31, 2025, total \$741,453.

Warranty Reserve

PWT projects are generally warranted against defects in materials and workmanship for one year from the date of completion, with certain construction areas and materials having extended guarantees. Based on historical experience, known risks related to critical components, and management’s assessment, the Company recorded a warranty reserve of \$50,000 as of March 31, 2025. This reserve reflects potential liabilities related to high-value components (pumps, RO membranes, and EDI modules). Management believes this reserve is adequate to cover probable warranty claims.

Litigation

There were no material developments during the quarter in the action with Process Solutions, Inc. or other legal proceedings previously described in the Company's Form 10-K filed April 18, 2024. Management does not believe the ultimate resolution of these matters will have a material adverse effect on the condensed consolidated financial statements.

No other commitments, guarantees, or contingent liabilities requiring disclosure were identified as of March 31, 2025.

12. Related Party

As of March 31, 2025, the Company issued two promissory notes to its CEO.

Promissory Note \$98,000

On September 24, 2024, the Company issued a promissory note with a principal amount of \$98,000. The note accrues interest at a rate of 10% per annum, with monthly payments of \$9,214 commencing on October 24, 2024.

Promissory Note \$208,000

On September 2, 2024, the Company issued an unsecured promissory note for a principal amount of \$208,000, which includes a \$200,000 cash advance and an \$8,000 loan fee. The note accrues interest at 10% per annum, with monthly payments of \$13,877 starting on October 4, 2024. The note is subordinate to other Company indebtedness.

Both promissory notes were reviewed and approved by the Company's Board of Directors in accordance with the Company's Related Party Transaction Policy. The proceeds from the notes will be used for general corporate purposes.

Takeoff Services Inc

On September 9, 2024, certain Company officers formed Takeoff Services Inc. ("TSI"), an independent entity focused on supporting early-stage fundraising. There is no asset transfer between TSI and the Company. The parties are evaluating a potential collaboration under a non-binding MOU, which may allow the Company to identify TSI clients for possible incubation.

PPM Marketing

The Company has engaged PPM Marketing, an entity affiliated with a member of WODI's executive leadership team, to provide consulting and advisory services in support of its fundraising initiatives. These services include creative content development, funnel creation and management, lead management, and related campaign support. The arrangement is considered a related party transaction due to the executive's affiliation with both WODI and PPM. The Company will continue to monitor the arrangement in accordance with its related party transaction policy.

13. Reporting Segments

WODI operates through three operating segments, aligned with its core activities. The Chief Operating Decision Maker (CODM), evaluates performance and allocates resources based on these segments:

Water System Solution Engineering focuses on designing and delivering custom-engineered water treatment solutions, enabling decentralized and efficient water management.

Modular/Prefabricated Treatment and Conveyance Systems develop prefabricated and scalable treatment solutions, enabling decentralized and efficient water management.

Full-Service Systems provides Water-as-a-Service solutions, including design-build-operate models, allowing customers to pay per gallon rather than making upfront investments.

Corporate expenses, including general and administrative costs, executive salaries, and shared functions, are reported separately under Corporate.

The CODM assesses segment performance based on revenue, operating income, and key expense categories, with operating income serving as the primary profitability metric.

The following table summarizes financial results by segment for the three months Ended December 31, 2025:

| Reportable Segments: | Water System Solution Engineering | Modular/ Prefabricated Treatment and Conveyance Systems | Full Service Water Systems (Operate; and Operate) | Corporate | Total |
|---|--|--|--|------------------|--------------|
| For the three months ended March 31, 2025 | | | | | |
| Revenue | \$ 1,404,670 | \$ 692,379 | \$ - | \$ - | \$ 2,097,050 |
| Gross profit | 504,942 | 187,960 | - | (288) | 692,614 |
| General and administrative expenses | 285,156 | 343,801 | - | 544,613 | 1,173,570 |
| Operating income (loss) | 209,017 | (385,959) | - | (667,006) | (843,948) |
| Segment assets | 3,251,590 | 740,776 | - | 88,722 | 4,081,087 |
| Gross profit as a % of revenue | 35.95% | 27.15% | - | - | 33.03% |
| For the three months ended March 31, 2024: | | | | | |
| Revenue | \$ 672,283 | \$ 264,584 | \$ - | \$ 6,570 | \$ 943,437 |
| Gross profit (loss) | 74,063 | (193,136) | - | 6,570 | (112,503) |
| General and administrative expenses | 202,430 | 41,556 | - | 971,804 | 1,215,790 |
| Operating loss | (140,186) | (234,797) | - | (1,542,274) | (1,917,257) |
| Segment assets | 2,126,392 | 331,316 | - | 2,532,831 | 4,990,539 |
| Gross profit as a % of revenue | 11.02% | - | - | 100.00% | (11.92)% |

14. Subsequent Events

Management has evaluated subsequent events in accordance with ASC Topic 855 and has identified the following subsequent events:

On January 23rd, 2025, a holder of a \$1,000,000 secured promissory note issued by the Company wrote to request clarification on the current options available to him for repayment. Following discussions, the Company made a settlement offer on April 4th, 2025. At the same time, the holder countered with a proposal for a repayment plan which the Company turned down on April 14th, 2025. On April 29th, 2025, the Holder notified the Company that they were requiring a payment for the full amount of the note. The parties agreed to mediation, which was initiated on May 7th, 2025. Management considers this a subsequent event requiring disclosure but no adjustment to the financial statements as of March 31, 2025.

On April 1, 2025, holders of WODI Convertible Promissory Notes converted a total principal amount, along with accrued interest of \$23,575,100 into an aggregate of 14,130,851,121 shares of OCLN common stock and 8,511,343 shares of WODI common stock.

On April 28, 2025, the Company abandoned the Clear Aqua Trademark.

On April 30, 2025, the Company issued 1,690,141 shares of OCLN common stock to a consultant in exchange for services rendered.

On April 30, 2025, the Company issued WODI cashless warrants representing an aggregate of 139,132 shares as discretionary interest payments for investments in the Company's Series Y offering.

Between April 3, 2025, and May 5, 2025, WODI raised a total of \$350,000 in proceeds through a private placement, issuing an aggregate of 2,187,500 shares of Series A stock and 2,187,500 warrants.

In April 2025, Water On Demand Inc. announced the formation of the Water On Demand Infrastructure Fund, a \$100 million Opportunity Zone (OZ) private water infrastructure fund. This fund is designed to finance decentralized water treatment projects in designated OZs, providing investors with potential tax advantages under the Tax Cuts and Jobs Act of 2017. The fund structure includes a sponsor LLC serving as the general partner and Water On Demand acting as the servicing organization responsible for business development, contract origination, project management, and paymaster functions. The fund aims to address the significant funding gap in U.S. water infrastructure by facilitating private investment in water treatment solutions. As of the filing date, the fund is in the early stages of formation, with discussions ongoing with prospective investors. Management considers this a subsequent event requiring disclosure but not adjustment to the financial statements as of March 31, 2025.

On May 3, 2025, the Company abandoned the H2O patent.

On May 8, 2025, the Company signed a settlement and transition agreement with the President of the MWS unit, to wind down MWS within 60 days, terminate the related intellectual-property license, forgive approximately \$0.18 million of accrued royalties, and retain him as an outside technical advisor; thereafter the Company will focus solely on water-infrastructure financing. Because this event occurred after the March 31, 2025, balance-sheet date, no adjustments have been recorded in these financial statements, and management will evaluate discontinued-operations presentation once the wind-down is complete.

No other subsequent events requiring adjustment or disclosure were identified as of the filing date.

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

This Quarterly Report on Form 10-Q contains forward-looking statements that involve a number of risks and uncertainties, many of which are beyond our control. These statements may relate to our business and financial strategies, intellectual property, production capabilities, future operating results, and our overall plans, objectives, expectations, and intentions, to the extent they are not historical facts.

All statements in this report, other than those based on historical fact, including those regarding our operations, financial position, estimated revenues and losses, projected costs, and strategic outlook, are considered forward-looking. Words such as “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” and “project,” among others, are often used to identify these statements, although their absence does not mean a statement is not forward-looking.

These statements speak only as of the date of this report and should not be relied upon as guarantees of future performance. While we believe the expectations reflected in these forward-looking statements are reasonable, we cannot assure they will be realized. Forward-looking statements appear throughout this report, including in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Actual results may differ materially due to various risks and uncertainties, and no assurance can be given that the plans, intentions, or expectations expressed in these statements will occur.

Organizational History

OriginClear, Inc., (the “Company”, “OCLN” or “OriginClear”) was incorporated in Nevada on June 1, 2007. Initially focused on research, development, and licensing, the Company transitioned to commercialization in 2015. Our principal offices are located at 13575 58th Street North, Suite 200, Clearwater, FL 33760. Our main telephone number is (727) 440-4603. More information is available on our website, www.OriginClear.com, however, the website content is not incorporated in this report.

WODI comprises three distinct operating units, Modular Water Systems (“MWS”), Progressive Water Treatment (“PWT”), and Water on Demand (“WOD”), the last being a development-stage business.

Overview of Business

OriginClear, Inc., originally founded in 2007 as OriginOil®, rebranded in 2015 to reflect its strategic shift toward industrial water innovation. Now operating as the Clean Water Innovation Hub™ (“CWIB”), the Company focuses on incubating and launching water-related businesses with scalable potential in the global water industry. OriginClear’s primary focus is to support its wholly owned subsidiary, Water On Demand, Inc. (“WODI”), which consists of three operating units: Progressive Water Treatment (“PWT”), Modular Water Systems (“MWS”), and Water on Demand (“WOD”).

PWT is the Company’s primary revenue driver, providing custom-engineered water treatment systems. MWS, which holds an exclusive master license for three active patents and related intellectual property, benefits from a valuation conducted in April 2023 that estimated the IP’s nominal value between \$26.6 million and \$53.2 million. Its product differentiation is further supported by proprietary know-how and operational excellence. WOD, currently in development, is designed to deliver outsourced water treatment services under a Design-Build-Own-Operate (“DBOO”) model. This unit aims to enable businesses to achieve water self-sufficiency by paying for treatment services on a per-gallon basis, with an initial showcase of this model currently in progress.

Recent Developments

In 2023, OriginClear consolidated three operating divisions into WODI.

On May 8, 2025, the Company signed a settlement and transition agreement with the President of the MWS unit, to wind down MWS within 60 days, terminate the related intellectual-property license, forgive approximately \$0.18 million of accrued royalties, and retain him as an outside technical advisor; thereafter the Company will focus solely on water-infrastructure financing. Because this event occurred after the March 31, 2025, balance-sheet date, no adjustments have been recorded in these financial statements, and management will evaluate discontinued-operations presentation once the wind-down is complete.

Water Businesses

Through its subsidiary WODI, the Company is developing an outsourced water treatment business known as WOD, operated through its subsidiary, WODI. The WOD model aims to offer customers water self-sustainability as a service – allowing them to pay on a per-gallon basis for managed wastewater treatment services rather than incurring significant upfront capital equipment acquisition costs. This approach, generally known as DBOO, provides an alternative to conventional on-site wastewater treatment solutions requiring substantial initial investments.

The Company is currently evaluating opportunities for outsourced water treatment as a managed service, featuring pay-by-the-gallon pricing. It announced agreements with Enviromaintenance®, a water services company, and Klir®, a utility network software provider, to support a WOD pilot program in the mobile home park sector. Under this model, WODI may initially build, maintain, and service the water treatment system it finances. As the program expands, WODI intends to rely on regional water service providers to perform these functions.

WODI intends to delegate the building and operation of WOD-Financed systems to regional water companies under performance contracts, thus creating a network of partners that can enable rapid scaling and establish a competitive barrier to entry. At the time of this filing, WODI made its first acquisition of personnel resources, hiring veteran C-Level Executive, James Woloszyn as its Chief Operating Officer. The Company intends to scale as it expands by acquiring further staff or independent resources. WODI's other divisions, PWT and MWS together employ 20 people. Otherwise, WODI's Board of Directors and executive officers are currently the same as those of OriginClear, and WODI obtains administrative support from OriginClear under a management services arrangement.

On February 15, 2024, the Company and Fortune Rise Acquisition Corporation ("FRLA") filed a registration statement on Form S-4 with the Securities and Exchange Commission ("SEC") for a proposed business combination involving WODI. However, on December 12, 2024, WODI and FRLA mutually agreed to terminate the Business Combination Agreement, as described elsewhere in this filing. For the year ending December 31, 2023 WODI and FRLA had an Business Combination Agreement.

On March 26, 2024, the Company announced a Memorandum of Understanding between MWS and Enviromaintenance to collaborate on the planned WOD pilot program in the Greater Central Texas Region. On April 9, 2024, the Company announced that Klir, Inc. had been selected to support the WOD pilot, further bolstering the Company's efforts to provide decentralized water management solutions on a pay-per-gallon basis. Additional information regarding these developments is available in the Company's publicly filed materials.

Progressive Water Treatment Inc.

PWT, based in Sherman, Texas, designs, builds, and services a broad range of industrial water treatment solutions. It seeks to provide a comprehensive, end-to-end offer that addresses the increasing corporate demand for outsourced water treatment.

PWT designs and manufactures turnkey water treatment systems for municipal, industrial and pure water applications. Its competitive advantages lie in 25-years of experience that enables depth of understanding of each customer's needs and employing multiple technologies – such as chemical injection, media filtration, membranes, ion exchange, and supervisory control and data acquisition ("SCADA") systems – to deliver complete, customized solutions.

In addition to system design and manufacturing, PWT offers ongoing services that include maintenance contracts, retrofits, and replacement support. The Company also rents equipment under contracts of varying terms.

Modular Water Systems

MWS provides a distinctive line of prefabricated water transport and treatment solutions designed for decentralized applications. The division is led by a senior engineering executive with extensive expertise in modular infrastructure. On June 25, 2018, the Company obtained a worldwide, exclusive, non-transferable license to the proprietary technology underlying MWS solutions. This license was renewed in May 2020 for a ten-year term and included rights to sublicense the technology and form manufacturing joint ventures.

On June 9, 2023, an identical license agreement was executed with WODI, and on June 12, 2023, the prior agreement with OriginClear was mutually canceled.

MWS, supported by Progressive Water Treatment and other fabrication partners, designs and delivers modular equipment marketed under the EveraMOD™, EveraSKID™, and EveraTREAT™ brands. These systems are intended for a range of end users—such as institutional campuses, real estate developments, and industrial sites—that require localized wastewater treatment.

On January 10, 2024, the Company announced a MOU between WODI and Plastic Welding and Fabrication, Ltd. (“PWF”) of Buda, Texas. PWF currently manufactures critical enclosures used in MWS solutions. The MOU is intended to streamline manufacturing operations and includes a LOI to evaluate a potential acquisition of PWF by WODI. If completed, the acquisition would establish WODI’s first in-house MWS production facility. Discussions are in early stages and no assurances can be made regarding the outcome.

On March 26, 2024, the Company announced an MOU between MWS and Enviromaintenance of Georgetown, Texas to jointly promote standardized wastewater systems in the Central Texas market, particularly targeting the Mobile Home Park (“MHP”) segment. The initiative aims to provide affordable and scalable wastewater solutions tailored to the MHP sector.

Subsequently, on May 08, 2025, Water On Demand Inc. announced its plan to focus entirely on developing and providing financing services for, instead of competing with, water equipment companies. As a first step in the new plan, Daniel M. Early, President and Chief Engineer of the Modular Water Systems (MWS) business unit of WODI, agreed to sunset the MWS unit over the next 60 days. As a result, PWT became the sole revenue contributor, while the Company focused on developing WOD for the financial services mission.

Patents and Intellectual Property

On June 25, 2018, the Company obtained a worldwide, exclusive, non-transferable license to a portfolio of intellectual property related to modular water treatment systems. This portfolio includes five issued U.S. patents as well as supporting design software, CAD files, marketing materials, and technical specifications (collectively referred to as the “MWS IP”).

On May 20, 2020, the license was renewed for an additional ten years, with the possibility of three-year extensions. The renewal also granted the Company the rights to sublicense the Early IP, and, with approval, to establish ISO-compliant manufacturing joint ventures.

As part of the sale of MWS-related assets to WODI on April 14, 2023, the license to the MWS IP was transferred to WODI. A new ten-year license agreement reflecting this transfer was executed on June 9, 2023, and the prior license agreement with OriginClear was terminated on June 12, 2023.

Subsequently, on May 10, 2025, Daniel M. Early and WODI mutually agreed to terminate this license.

On May 10, 2021, the Company announced the filing of a patent application titled “System and Method for Water Treatment Incentive,” which incorporates blockchain and NFT technologies to facilitate automated payment distribution for outsourced water treatment services billed on a per-gallon basis.

The ORIGINCLEAR trademark application was registered as U.S. Trademark Registration 7,296,730, issued on February 6, 2024. Additionally, the ORIGINCLEAR logo trademark application was registered as U.S. Trademark Registration 7,296,731, issued on February 6, 2024.

Other trademarks in process of registration include:

| Patents | Entity | Serial Number | Status |
|---|-----------------------|--------------------------|---------------|
| \$H2O | OriginClear Inc. | 90714035 | Pending |
| WATERPRNEUR | OriginClear Inc. | 90471071 | Pending |
| CLEARAQUA | OriginClear Inc. | 90840903 | Pending |
| THE WATER COIN FOR THE WORLD | OriginClear Inc. | 90840920 | Pending |
| WATER - THE BLUE GOLD (Int. TM Class 036 - Crowdfunding) | OriginClear Inc. | 97734240 | Pending |
| THE CLEAN WATER INNOVATION HUB | OriginClear Inc. | 97616504 | Dead |
| ARMY OF US | OriginClear Inc. | 98450380 | Pending |
| The Blue Gold (Intl. TM Class 041 - Education, Entertainment and Cultural Services) | OriginClear Inc. | 97734240 | Pending |
| FINTECH FOR CLEAN WATER | Water on Demand, Inc. | 98099593 | Pending |
| WATER ON DEMAND | Water on Demand, Inc. | 98099605 | Pending |
| WATER LIKE AN OIL WELL | Water on Demand, Inc. | 97616574 | Pending |

The Company relies on, and expects to continue relying on, a combination of confidentiality agreements with employees, consultants, and third parties, as well as trademark, copyright, patent, trade secret, and domain name protection laws, to protect its proprietary rights.

New Role of the Company

The Company, in its role as the CWIH, seeks to create, incubate or accelerate businesses in the water industry and potentially other sectors.

The Company intends to achieve growth by partnering with or developing businesses where it may take equity positions in addition to earning management fees.

We believe our primary strength lies in helping such businesses secure capital through retail corporate development, achieve commercial proof of concept, scale operations, and pursue mergers and acquisitions.

Identifying suitable candidates for this strategy may prove challenging. Even if identified, there is no assurance these ventures will achieve commercial success. The Company's primary focus for the foreseeable future remains the financing, development, and support of its Water On Demand, Inc. subsidiary.

Critical Accounting Policies

The Securities and Exchange Commission ("SEC") defines "critical accounting policies" as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Not all of the accounting policies require management to make difficult, subjective or complex judgments or estimates. However, the following policies could be deemed to be critical within the SEC definition.

Revenue Recognition

We recognize revenue when services are performed, and at the time of shipment of products, provided that evidence of an arrangement exists, title and risk of loss have passed to the customer, fees are fixed or determinable, and collection of the related receivable is reasonably assured.

Revenues and related costs on construction contracts are recognized as the performance obligations for work are satisfied over time in accordance with Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. Under ASC 606, revenue and associated profit will be recognized as the customer obtains control of the goods and services promised in the contract (i.e., performance obligations). All un-allocable indirect costs and corporate general and administrative costs are charged to the periods as incurred. However, in the event a loss on a contract is foreseen, the Company will recognize the loss as it is determined. Revisions in cost and profit estimates during the course of the contract are reflected in the accounting period in which the facts for the revisions become known. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements, may result in revisions to costs and income, which are recognized in the period the revisions are determined.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

Significant estimates include evaluations of goodwill and long-lived asset impairments, revenue recognition for percentage-of-completion contracts, allowances for uncollectible accounts, inventory valuation, valuations of non-cash capital stock issuances, and valuation allowances on deferred tax assets. These estimates are based on historical experience and other assumptions deemed reasonable under the circumstances. They form the basis for management's judgments regarding asset and liability carrying values. Changes in assumptions or conditions could result in materially different actual outcomes.

Fair Value of Financial Instruments

Fair value of financial instruments requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of March 31, 2025, the amounts reported for cash, prepaid expenses, accounts payable and accrued expenses approximate the fair value because of their short maturities.

Results of Operations for the three months ended March 31, 2025, and 2024.**Revenue and Cost of Sales**

Revenue for the three months ended March 31, 2025, was \$2,097,050, up \$1,153,613 from \$943,437 in 2024. The increase was driven mainly by equipment-contract revenue, which rose to \$1,512,503 from \$363,358 as larger projects reached billing milestones. Pump-station sales grew to \$316,564 from \$296,360, and component sales increased to \$258,864 from \$206,387.

Cost of goods sold rose to \$1,404,436 from \$1,055,940, up \$348,496 (33%), in line with the higher sales volume. Gross profit improved to \$692,614 from a gross loss of \$112,503 in 2024, and gross margin moved from (-11.9%) to (33.0%).

Selling and Marketing Expenses

Selling and marketing expenses for the three months ended March 31, 2025, and 2024, were \$362,992 and \$588,964, respectively. The \$225,972 (38%) decrease was attributable to a project-specific marketing, lower service sales commissions compared to the prior year period, and a decline in advertising, website development, and other promotional activities.

General and Administrative Expenses

General and administrative expenses totaled \$1,173,570 for the three months ended March 31, 2025, down \$42,220 (3%), from \$1,215,790 in 2024. The decrease was driven by reduced legal and professional-services fees, which more than offset a \$126,746 bad-debt provision and higher payroll-related costs in the current period.

Other Income and (Expenses)

Other income (expense) for the three months ended March 31, 2025, was \$(76,914), compared with \$(14,189,728) in 2024, an improvement of \$14,112,814. The swing was driven by a \$1,371,191 gain on re-measurement of derivative liabilities versus a \$12,767,194 loss in the prior year, a \$249,334 gain from the write-off of loans payable, and the absence of the \$590,000 SPAC-receivable impairment and the \$902,702 conversion-settlement charge recorded in 2024. Offsetting factors included \$773,444 of preferred-stock incentive compensation, a \$115,871 increase in interest and dividend expense, the absence of last year's \$687,678 gain on redemption of common stock, and a \$36,167 unfavorable change in unrealized investment gains.

Net Income/(Loss)

Net loss for the three months ended March 31, 2025, was \$(767,034) compared with \$(16,106,985) for the same period in 2024, an improvement of \$15,339,951. The variance reflects a \$1,371,191 gain on re-measurement of derivative liabilities versus a \$12,767,194 loss in the prior year, a \$249,334 gain from the write-off of payables and absence of the 2024 SPAC-receivable impairment and conversion-settlement charge.

Offsetting these items were \$773,444 of preferred-stock compensation and \$115,871 increase in interest and dividend expense. Derivative values are highly sensitive to the Company's stock price, volatility, interest rates, and other contractual terms: shifts in these inputs can produce significant period-to-period fluctuations in reported results.

Liquidity and Capital Resources

On March 31, 2025, the Company had cash and cash equivalents of \$1,898,564, compared with \$550,884 at December 31, 2024. The working-capital deficit was \$(44,488,716) versus \$(45,437,508) at year-end and shareholders' deficit was \$(53,938,041), an improvement of \$919,547 since December 31, 2024.

Net cash used in operating activities was \$221,342, reflecting the net loss adjusted for a \$1,371,191 gain on the change in fair value of derivative liabilities, \$773,444 of preferred-stock incentive compensation, and working-capital movements—including a \$1,832,431 increase in contracts receivable and a \$820,888 decrease in contract liabilities.

Investing activities used \$7,500, primarily for fixed-asset purchases. Financing activities provided \$1,576,522, largely from the proceeds of Series A preferred stock issuances and common stock sold in a Regulation A offering.

The Company expects negative operating cash flows to continue over the next 12 months and has scheduled debt-service and lease obligations of approximately \$3.2 million during that period. Management plans to satisfy these requirements through additional equity or convertible-debt financings now under discussion, but no binding commitments exist. If financing cannot be obtained, management will reduce discretionary spending and defer expansion projects.

Because of recurring losses, negative operating cash flows, and large working-capital and equity deficits, substantial doubt exists about the Company's ability to continue as a going concern for at least one year after these financial statements are issued. The statements do not include any adjustments that might result from this uncertainty.

The Company's prior Regulation A offering of Series M Preferred Stock may be subject to rescission claims. Although no claims have been asserted, any successful claim could adversely affect liquidity; the potential liability is not presently determinable.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operations, liquidity or capital expenditure.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, and is not required to provide the information required by this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2025. These controls and procedures were determined to be effective in ensuring that information required to be disclosed by the Company in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and communicated to management to support timely decision-making regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the fiscal quarter ending March 31, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Internal Controls

Management recognizes that no system of internal control over financial reporting or disclosure controls can provide absolute assurance. A control system, no matter how well designed and operated, can provide only reasonable assurance that its objectives will be met. Accordingly, management must exercise judgment in evaluating the cost-benefit relationship of possible controls and procedures.

PART II

Item 1. Legal Proceedings.

On March 5, 2024, Process Solutions, Inc. (“PSI”) filed a lawsuit against PWT in the Court of Common Pleas in Hamilton County, Ohio alleging breach of contract and seeking damages. The matter has since been resolved and closed, with no resulting claims or counterclaims by either party. Otherwise, the Company has no legal proceedings.

Item 1A. Risk Factors.

Not required for a smaller reporting company.

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

None.

Item 3. Defaults Upon Senior Securities.

As of the date of this filing, the Company remains in default on four preferred stock series that have reached their contractual redemption dates. The defaults comprise 50 shares of Series F Preferred Stock with an aggregate redemption price of \$50,000 that became due on September 1 2020; 25 shares of Series G Preferred Stock with an aggregate redemption price of \$25,000 that became due on April 30 2021; 25 shares of Series I Preferred Stock with an aggregate redemption price of \$25,000 that became due between May 2 2021 and June 10 2021; and 297 shares of Series K Preferred Stock with an aggregate redemption price of \$297,150 that became due between August 5 2021 and March 26 2022. The cumulative unpaid redemption obligation is \$397,150. No penalties have been assessed, and no waivers or amended terms have been negotiated to date. Management plans to address these arrearages in connection with its ongoing capital-raising and liability-management efforts.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

| Exhibit Number | Description of Exhibit |
|----------------|---|
| 31.1 | Certification by Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.* |
| 31.2 | Certification by Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.* |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |
| 101.INS | Inline XBRL Instance Document.* |
| 101.SCH | Inline XBRL Taxonomy Extension Schema.* |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase.* |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase.* |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase.* |
| 101.PRE | Inline XBRL Extension Presentation Linkbase.* |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).* |

* Filed herewith.

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.

May 19, 2025

ORIGINCLEAR, INC.

/s/ T. Riggs Eckelberry

T. Riggs Eckelberry
Chief Executive Officer
(Principal Executive Officer) and

/s/ Prasad Tare

Prasad Tare
Chief Financial Officer
(Principal Financial and Accounting Officer)