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 September 30, 2026
OR
☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from …..… to …..…

COMMISSION FILE NUMBER 0-12114

CADIZ INC.

(Exact name of registrant specified in its charter)

DELAWARE	**77-0313235**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
550 South Hope Street, Suite 2850 **Los Angeles, California**	**90071**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(213) 271-1600**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	CDZI	The NASDAQ Global Market
Depositary Shares (each representing a 1/1000th fractional interest in share of 8.875% Series A Cumulative Perpetual Preferred Stock, par value $0.01 per share)	CDZIP	The NASDAQ Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes ☑ No ☐**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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 file", "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 checkmark 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 Exchange Act Rule 12b-2). **Yes ☐ No ☑**

As of November 11, 2026, the Registrant had 90,032,814 shares of common stock, par value $0.01 per share, outstanding.

PART I – FINANCIAL INFORMATION

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Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

($ in thousands, except per share data)	**For the Three Months Ended September 30, 2026**	**2025**
Revenues:		
Sales revenue	$ 1,341	$ 3,925
Services revenue	117	112
Rental income	114	112
Total revenues	$ 1,572	$ 4,149
Costs and expenses:		
Cost of sales, sales revenue (exclusive of depreciation shown separately below)	1,178	2,969
Cost of sales, services revenue	90	46
General and administrative	9,223	5,726
Depreciation	377	304
Total costs and expenses	10,868	9,045
Operating loss	(9,296)	(4,896)
Interest expense, net	(3,185)	(2,173)
Loss on extinguishment of debt	(2,077)	-
Gain on derivative liability	252	-
Loss before income taxes	(14,306)	(7,069)
Income tax expense	(3)	(3)
Net loss and comprehensive loss	$ (14,309)	$ (7,072)
Less: Preferred stock dividend	(1,288)	(1,265)
Net loss and comprehensive loss applicable to common stock holders	$ (15,597)	$ (8,337)
Basic and diluted net loss per common share	$ (0.18)	$ (0.10)
Basic and diluted weighted average shares outstanding	84,653	82,127

See accompanying notes to the unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

($ in thousands, except per share data)	For the Nine Months Ended September 30, 2026	2025
Revenues:		
Sales revenue	$ 3,392	$ 10,703
Services revenue	458	192
Rental income	333	334
Total revenues	4,183	11,229
Costs and expenses:		
Cost of sales, sales revenue (exclusive of depreciation shown separately below)	3,245	7,695
Cost of sales, services revenue	233	63
General and administrative	24,524	20,768
Depreciation	1,147	909
Total costs and expenses	29,149	29,435
Operating loss	(24,966)	(18,206)
Interest expense, net	(8,547)	(6,181)
Loss on extinguishment of debt	(2,077)	-
Gain on derivative liability	1,281	-
Loss before income taxes	(34,309)	(24,387)
Income tax expense	(10)	(8)
Net loss and comprehensive loss	$ (34,319)	$ (24,395)
Less: Preferred stock dividend	(3,841)	(3,818)
Net loss and comprehensive loss applicable to common stock holders	$ (38,160)	$ (28,213)
Basic and diluted net loss per common share	$ (0.45)	$ (0.35)
Basic and diluted weighted average shares outstanding	84,077	80,444

See accompanying notes to the unaudited condensed consolidated financial statements.

Condensed Consolidated Balance Sheets (Unaudited)

($ in thousands, except per share data)	September 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,909	$ 8,599
Accounts receivable, net	2,311	5,613
Inventories	2,330	1,138
Prepaid expenses and other current assets	1,140	701
Total current assets	$ 11,690	16,051
Property, plant, equipment and water programs, net	97,110	95,384
Long-term deposit/prepaid expenses (includes $2,543 at September 30, 2026 of a consolidated VIE that can be used only to settle obligations of the VIE)	2,963	420
Goodwill	5,714	5,714
Right-of-use asset (includes $5,449 at September 30, 2026 of consolidated VIE that can be used only to settle obligations of the VIE)	8,892	3,394
Long-term restricted cash	2,759	2,759
Other assets	11,584	17,192
Total assets	$ 140,712	$ 140,914
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,946	$ 3,783
Accrued liabilities	1,560	2,370
Current portion of long-term debt	-	51
Derivative liabilities	1,078	5,050
Dividend payable	1,288	1,265
Deferred revenue	855	305
Operating lease liabilities	393	364
Total current liabilities	10,120	13,188
Long-term debt, net	51,224	30,891
Long-term debt with related party, net	42,356	41,814
Long-term lease obligations with related party, net	30,216	27,967
Long-term operating lease liabilities (includes $5,324 at September 30, 2026 of a consolidated VIE for which creditors do not have recourse to the general credit of the Company)	8,418	3,122
Deferred revenue	625	625
Other long-term liabilities	55	51
Total liabilities	143,014	117,658
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock - $.01 par value; 100,000 shares authorized at September 30, 2026 and December 31, 2025; shares issued and outstanding – 329 at September 30, 2026 and December 31, 2025	1	1
8.875% Series A cumulative, perpetual preferred stock - $.01 par value; 7,500 shares authorized at September 30, 2026 and December 31, 2025; shares issued and outstanding – 2,300 at September 30, 2026 and December 31, 2025	1	1
Common stock - $.01 par value; 125,000,000 shares authorized at September 30, 2026 and 100,000,000 shares authorized at December 31, 2025; shares issued and outstanding – 84,901,718 at September 30, 2026 and 83,213,589 at December 31, 2025	847	830
Additional paid-in capital	723,360	714,616
Accumulated deficit	(726,511)	(692,192)
Total stockholders' (deficit) equity	(2,302)	23,256
Total liabilities and stockholders' (deficit) equity	$ 140,712	$ 140,914

See accompanying notes to the unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

($ in thousands)	**For the Nine Months Ended September 30, 2026**	**2025**
Cash flows from operating activities:		
Net loss	$ (34,319)	$ (24,395)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,147	909
Amortization of debt discount and issuance costs	1,833	1,128
Amortization of right-of-use asset	296	261
Interest expense added to loan principal	2,224	2,072
Interest accretion on finance lease liabilities	2,231	1,988
Compensation charge for stock and share option awards	5,450	3,822
Unrealized gain on derivative liability	(1,281)	-
Loss on extinguishment of debt	2,077	-
Changes in operating assets and liabilities:		
Deposit for right-of-way performance and reclamation bond	(2,543)	-
Accounts receivable	3,302	939
Inventories	(1,192)	225
Prepaid expenses and other current assets	(707)	43
Other assets	60	96
Accounts payable	1,648	427
Lease liabilities	(201)	(256)
Deferred revenue	550	(802)
Other accrued liabilities	(776)	1,533
Net cash used in operating activities	(20,201)	(12,010)
Cash flows from investing activities:		
Additions to property, plant and equipment and water programs	(3,418)	(6,250)
Additions to deposits for asset purchase options	-	(5,000)
Net cash used in investing activities	(3,418)	(11,250)
Cash flows from financing activities:		
Net proceeds from issuance of stock	-	18,335
Dividend payments	(3,818)	(3,841)
Proceeds from the issuance of long-term debt	25,000	-
Principal payments on long-term debt	(51)	(99)
Payment for contingent consideration liabilities	-	(1,200)
Taxes paid related to net share settlement of equity awards	(202)	(172)
Net cash provided by financing activities	20,929	13,023
Net decrease in cash, cash equivalents and restricted cash	(2,690)	(10,237)
Cash, cash equivalents and restricted cash, beginning of period	11,358	17,426
Cash, cash equivalents and restricted cash, end of period	$ 8,668	$ 7,189

See accompanying notes to the unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Stockholders' Equity (Deficit) (Unaudited)

For the three and nine months ended September 30, 2026 (*$ in thousands, except share data)*

	Common Stock		Preferred Stock		8.875% Series A Cumulative Perpetual Preferred Stock		Additional Paid-in	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	(Deficit)
Balance as of December 31, 2025	83,213,589	$ 830	329	$ 1	2,300	$ 1	$ 714,616	$ (692,192)	$ 23,256
Stock-based compensation expense, net of taxes	210,777	2	-	-	-	-	452	-	454
Dividends declared on 8.875% series A cumulative perpetual preferred shares ($560 per share)	-	-	-	-	-	-	(1,288)	-	(1,288)
Issuance of shares to lenders	375,000	4	-	-	-	-	1,822	-	1,826
Net loss and comprehensive loss	-	-	-	-	-	-	-	(8,636)	(8,636)
Balance as of March 31, 2026	83,799,366	$ 836	329	$ 1	2,300	$ 1	$ 715,602	$ (700,828)	$ 15,612
Stock-based compensation expense, net of taxes	361,879	4	-	-	-	-	1,688	-	1,692
Dividends declared on 8.875% series A cumulative perpetual preferred shares ($550 per share)	-	-	-	-	-	-	(1,265)	-	(1,265)
Net loss and comprehensive loss	-	-	-	-	-	-	-	(11,374)	(11,374)
Balance as of June 30, 2026	84,161,245	$ 840	329	$ 1	2,300	$ 1	$ 716,025	$ (712,202)	$ 4,665
Stock-based compensation expense, net of taxes	490,473	5	-	-	-	-	3,098	-	3,103
Dividends declared on 8.875% series A cumulative perpetual preferred shares ($560 per share)	-	-	-	-	-	-	(1,288)	-	(1,288)
Issuance of shares to lenders	250,000	2					862	-	864
Equity Adjustments related to debt modification and extinguishment	-	-	-	-	-	-	4,663	-	4,663
Net loss and comprehensive loss	-	-	-	-	-	-	-	(14,309)	(14,309)
Balance as of September 30, 2026	84,901,718	$ 847	329	$ 1	2,300	$ 1	$ 723,360	$ (726,511)	$ (2,302)

See accompanying notes to the unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

For the three and nine months ended September 30, 2025 (*$ in thousands, except share data)*

	Common Stock		Preferred Stock		8.875% Series A Cumulative Perpetual Preferred Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance as of December 31, 2024	75,353,889	$ 752	329	$ 1	2,300	$ 1	$ 709,303	$ (676,096)	$ 33,961
Issuance of shares pursuant to direct offering	5,715,000	57	-	-	-	-	18,278	-	18,335
Stock-based compensation expense, net of taxes	716,122	7	-	-	-	-	2,590	-	2,597
Dividends declared on 8.875% series A cumulative perpetual preferred shares ($550 per share)	-	-	-	-	-	-	-	(1,265)	(1,265)
Net loss and comprehensive loss	-	-	-	-	-	-	-	(9,593)	(9,593)
Balance as of March 31, 2025	81,785,011	$ 816	329	$ 1	2,300	$ 1	$ 730,171	$ (686,954)	$ 44,035
Stock-based compensation expense, net of taxes	111,365	1	-	-	-	-	548	-	549
Dividends declared on 8.875% series A cumulative perpetual preferred shares ($560 per share)	-	-	-	-	-	-	(1,288)	-	(1,288)
Reclassification of dividends paid on 8.875% series A cumulative perpetual preferred shares	-	-	-	-	-	-	(19,320)	19,320	-
Net loss and comprehensive loss	-	-	-	-	-	-	-	(7,730)	(7,730)
Balance as of June 30, 2025	81,896,376	$ 817	329	$ 1	2,300	$ 1	$ 710,111	$ (675,364)	$ 35,566
Stock-based compensation expense, net of taxes	129,210	1	-	-	-	-	503	-	504
Dividends declared on 8.875% series A cumulative perpetual preferred shares ($550 per share)	-	-	-	-	-	-	(1,265)	-	(1,265)
Net loss and comprehensive loss	-	-	-	-	-	-	-	(7,072)	(7,072)
Balance as of September 30, 2025	82,025,586	$ 818	329	$ 1	2,300	$ 1	$ 709,349	$ (682,436)	$ 27,733

See accompanying notes to the unaudited condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

NOTE 1 – BASIS OF PRESENTATION

The Condensed Consolidated Financial Statements and notes have been prepared by Cadiz Inc., also referred to as "Cadiz" or "the Company", and should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025.

The foregoing Condensed Consolidated Financial Statements include the accounts of the Company and contain all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair statement of the Company's financial position, the results of its operations and its cash flows for the periods presented and have been prepared in accordance with generally accepted accounting principles.

The condensed balance sheet as of December 31, 2025, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements.

Principles of Consolidation

The Condensed Consolidated Financial Statements also include the accounts of Fenner Gap Mutual Water Company ("FGMWC"), a variable interest entity ("VIE") of which the Company is the primary beneficiary. The Company evaluates its interests in legal entities to determine whether it has a variable interest in a VIE and, if so, whether it is the primary beneficiary, which is the party that has both the power to direct the activities that most significantly affect the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The Company reassesses whether it is the primary beneficiary on an ongoing basis. All significant intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates and such differences may be material to the financial statements. The results of operations for the nine months ended September 30, 2026, are not necessarily indicative of results for the entire fiscal year ending December 31, 2026.

Variable Interest Entity

FGMWC is a non-profit mutual benefit corporation under California law formed by the Company in 2010 and for which the Company manages all corporate functions. Under the Company's water supply agreements, the Company expects to contribute its annual water supply from the Mojave Groundwater Bank to FGMWC. Participating public water agencies and other beneficiaries of water supply and storage rights will own shares in FGMWC under the class structure set forth in FGMWC's bylaws. No participating public water agency currently owns shares in FGMWC. On July 14, 2026, the United States Bureau of Land Management ("BLM") issued FGMWC a right-of-way grant under Title V of the Federal Land Policy and Management Act ("FLPMA ROW Grant") authorizing the conversion of the Company's 220-mile 30" steel pipeline (the "Northern Pipeline") to water conveyance on BLM-administered lands (see Note 7 – "Leases & Property, Plant, Equipment and Water Programs"). On July 27, 2026, FGMWC executed construction-manager-at-risk contracts establishing guaranteed maximum prices for the principal construction components of the Northern Pipeline conversion (see Note 10 – "Commitments and Contingencies"). In April 2026, FGMWC and the County of San Bernardino formed the San Bernardino Water and Power Authority ("SBWPA"), a joint powers authority. The SBWPA may support the financing of our water and energy projects, including the Mojave Groundwater Bank ("MGB"). SBWPA has the ability to issue revenue bonds. The Company does not consolidate the authority.

As of September 30, 2026, FGMWC has not issued shares or membership interests and has no equity investment at risk; its activities, including the rent, fees and performance and reclamation bond required for the FLPMA ROW Grant and the costs of its construction contracts, are funded by the Company. FGMWC is therefore a VIE. The Company is FGMWC's primary beneficiary because it manages FGMWC and directs the activities that most significantly affect its economic performance – obtaining the authorizations for and developing the Northern Pipeline conversion and contracting for water supply – and because it funds FGMWC and absorbs its losses. The Company has not guaranteed FGMWC's obligations under the FLPMA ROW Grant or its construction contracts. Under its water delivery agreements, however, the Company has agreed to arrange and finance the capital costs of the Northern Pipeline conveyance facilities, on its own or in coordination with FGMWC or others. During the three and nine months ended September 30, 2026, the Company funded FGMWC's payment of $268,000 of initial rent and the $2.54 million cash performance and reclamation bond FGMWC deposited with BLM as required by the FLPMA ROW Grant. Cadiz Real Estate LLC, a wholly owned subsidiary of the Company, is currently FGMWC's sole member.

The Company intends to continue funding FGMWC's obligations under the FLPMA ROW Grant until FGMWC's members assume them when water is available, and to fund FGMWC's pre-construction costs and other obligations incurred before project financing for the Northern Pipeline conversion is obtained. Construction under FGMWC's construction contracts will begin only upon satisfaction of the applicable financing conditions (see Note 10 – "Commitments and Contingencies"). The Company reassesses on an ongoing basis whether it is FGMWC's primary beneficiary. Changes in FGMWC's governing documents or equity, such as the issuance of membership interests to participating public water agencies, or in its activities, such as the contribution of the Northern Pipeline assets to Mojave Water Infrastructure Company LLC, would require the Company to reconsider whether FGMWC is a VIE. If the FLPMA ROW Grant were vacated (see Note 10 – "Commitments and Contingencies"), FGMWC would derecognize the related right-of-use asset and lease liability to the extent its rights and obligations under the grant ended.

The assets and liabilities of FGMWC included in the condensed consolidated balance sheet, after elimination of intercompany balances, were as follows:

($ in thousands)	September 30, 2026	December 31, 2025
ASSETS		
Operating Right-of-use asset	$ 5,449	$ -
Long-term deposit/prepaid expenses	2,543	-
Total assets	$ 7,992	$ -
LIABILITIES		
Operating lease liabilities (current)	$ -	$ -
Long-term operating lease liabilities	5,324	-
Total Liabilities	$ 5,324	$ -

The assets of FGMWC can be used only to settle obligations of FGMWC, and the creditors of FGMWC, including BLM under the FLPMA ROW Grant, do not have recourse to the general credit of the Company.

Liquidity

The Condensed Consolidated Financial Statements of the Company have been prepared using accounting principles applicable to a going concern, which assumes realization of assets and settlement of liabilities in the normal course of business.

The Company incurred losses of $34.3 million for the nine months ended September 30, 2026, compared to $24.4 million for the nine months ended September 30, 2025. The Company had working capital of $1.6 million at September 30, 2026 and used cash in its operations of $20.2 million for the nine months ended September 30, 2026.

Cash requirements during the nine months ended September 30, 2026 primarily reflect certain operating and administrative costs related to the development of our groundwater storage and supply project (the "Mojave Groundwater Bank"), our agricultural operations, and our water treatment business- as well as other development projects. The Company's present activities are focused on the development of its assets in ways that meet an urgent need for groundwater storage capacity in Southern California and growing demand for affordable, reliable, long-term water supplies that provide water security against inevitable drought periods in the Southwestern United States.

On March 6, 2024, the Company entered into a Third Amendment to Credit Agreement and First Amendment to Security Agreement ("Third Amended Credit Agreement") with HHC $ Fund 2012 ("Heerema"). The Third Amended Credit Agreement provides, among other things, (a) a new tranche of senior secured convertible terms loans from Heerema in an aggregate principal amount of $20 million, having a maturity date of June 30, 2027 ("New Secured Convertible Debt"); (b) the aggregate principal amount of the secured non-convertible term loans acquired by Heerema from an existing lender has been increased from $20 million to $21.2 million and the applicable repayment fee in respect thereof has been eliminated; (c) the Convertible Loan existing prior to the Third Amended Credit Agreement, in an aggregate principal amount of approximately $16 million plus interest accruing thereon, has become unsecured; and (d) extension of the maturity date for the existing Convertible Loan and non-convertible loans to June 30, 2027 (see Note 3 – "Long-Term Debt", below). On August 12, 2026, the Company entered into a Fifth Amendment to Credit Agreement ("Fifth Amendment") to extend the maturity date of each of these loans to June 30, 2028.

On March 7, 2025, the Company completed the sale and issuance of 5,715,000 shares of its common stock to certain institutional investors in a registered direct offering. The shares of common stock were sold at a purchase price of $3.50 per share, for aggregate gross proceeds of approximately $20.0 million and aggregate net proceeds of approximately $18.3 million.

On October 27, 2025, the Company entered into a definitive agreement (the "Lytton Credit Agreement") with Lytton Rancheria of California, a federally recognized Native American tribe ("Lytton"), pursuant to which Lytton will provide the first tranche of capital (the "Tribal Investment") for construction of the Mojave Groundwater Bank. Under the Lytton Credit Agreement, the Company at its election may draw, as an unsecured term loan, up to $51 million in one or more installments prior to April 30, 2027. Under the Lytton Credit Agreement, the proceeds from the Tribal Investment will be used by the Company to fund the construction, development, ownership, operation, and other ongoing costs of the Mojave Groundwater Bank, and to reimburse the Company's expenses related thereto. As of September 30, 2026, the Company has drawn $40 million for reimbursement of Mojave Groundwater Bank project expenses and to support development activities, including $10 million drawn on August 7, 2026. The remaining $11 million available as of September 30, 2026, was drawn on November 10, 2026.

On July 14, 2026, the Company received from BLM an effective FLPMA ROW Grant, made the required initial right-of-way rent payment of approximately $268,000 and delivered a performance and reclamation cash bond in the amount of approximately $2.54 million, satisfying the requirements for the Grant to become effective. Under the terms and conditions of the FLPMA ROW Grant, the Company may proceed with activities outlined in its Plan of Development for the Northern Pipeline necessary to prepare for and complete construction. The FLPMA ROW Grant is effective for 45 years and expires December 31, 2071. Annual rent under the FLPMA ROW Grant is expected to be approximately $0.5 million in 2027 and is scheduled to increase based on BLM's published annual rate adjustments, or 2.6% per year through 2035 and subject to recalculation thereafter. In addition, the Company is expected to pay rent of approximately $0.5 million per year for the Mineral Leasing Act right-of-way it continues to hold for maintenance of the existing Northern Pipeline until litigation related to the FLPMA ROW Grant is resolved. (see Note 7 – "Leases and Property, Plant, Equipment and Water Programs", below).

On October 30, 2026, the Company completed the sale and issuance of 5,000,000 shares of its common stock to certain institutional investors in a registered direct offering. The shares of common stock were sold at a purchase price of $4.20 per share, for aggregate gross proceeds of approximately $21 million and aggregate net proceeds of approximately $20 million.

The Company may meet its debt and operating and development costs requirements through a variety of means, including extension, refinancing, equity placements, the sale or other disposition of assets, or reductions in operating costs. The covenants in the senior secured debt do not prohibit the Company's use of additional equity financing and allow the Company to retain 100% of the proceeds of any common equity financing. The Company does not expect the loan covenants to materially limit its ability to finance its Mojave Groundwater Bank, agricultural operations and water treatment business activities.

Management assesses whether the Company has sufficient liquidity to fund its costs for the next twelve months from each financial statement issuance date. Management evaluates the Company's liquidity to determine if there is a substantial doubt about the Company's ability to continue as a going concern. In the preparation of this liquidity assessment, management applies judgement to estimate the projected cash flows of the Company including the following: (i) projected cash outflows (ii) projected cash inflows, (iii) categorization of expenditures as discretionary versus non-discretionary and (iv) the ability to raise capital. The cash flow projections are based on known or planned cash requirements for operating costs as well as planned costs for project development.

Limitations on the Company's liquidity and ability to raise capital may adversely affect it. Sufficient liquidity is critical to meet the Company's resource development activities. Although the Company currently expects its sources of capital to be sufficient to meet its liquidity needs for at least the next twelve months from the date these financial statements are issued, there can be no assurance that its liquidity requirements will continue to be satisfied in the long-term. If the Company cannot raise needed funds, it might be forced to make substantial reductions in its operating expenses, which could adversely affect its ability to implement its current business plan and ultimately its viability as a company.

Supplemental Cash Flow Information

During the nine months ended September 30, 2026, approximately $2.8 million in interest payments on the Company's debt was paid in cash and approximately $2.2 million was recorded as interest payable in kind. There are no scheduled principal payments due on the senior secured debt prior to its maturity.

During the nine months ended September 30, 2026, in connection with the Fifth Amendment to the credit agreement, the Company recorded $1.7 million of non-cash additional debt discount on the Heerema loans, with a corresponding increase in additional paid-in capital. The Company also recorded the non-cash extinguishment of the Convertible Loan, which had a net carrying amount of $20.1 million, and its replacement by the amended Convertible Loan, which had a fair value of $22.2 million. The amended Convertible Loan was recorded at $19.2 million, the $3.0 million premium was recorded in additional paid-in capital, and the $2.1 million excess of its fair value over the carrying amount of the extinguished loan was recognized as a loss on extinguishment of debt (see Note 3 – "Long-Term Debt").

At September 30, 2026, accruals for cash dividends payable on the Series A Preferred Stock were $1.29 million (see Note 9 – "Common and Preferred Stock"). The cash dividends were paid on October 15, 2026.

At September 30, 2026, accruals for capitalized costs related to the Mojave Groundwater Bank included in property, plant and equipment and water programs not yet paid in cash were approximately $1.3 million and are expected to be paid in 2026.

During the nine months ended September 30, 2026, the Company reclassified $5.5 million of costs capitalized in other noncurrent assets at the inception of the Lytton Credit Agreement to debt discount upon the second draw of $15 million and the third draw of $10 million, consisting of $3.4 million for the funding fee shares, $1.6 million for the commitment fee shares and $0.5 million of cash financing fees (see Note 3 – "Long-Term Debt"). This debt discount will be amortized into interest expense over the remaining term of the loan. In addition, the Company issued 375,000 and 250,000 shares of its common stock as funding fees upon the second and third draws, respectively, in settlement of $2.7 million of the derivative liability, which was reclassified to additional paid-in capital (see Note 8 – "Fair Value Measurements").

The balance of cash, cash equivalents, and restricted cash as shown in the condensed consolidated statements of cash flows is comprised of the following:

Cash, Cash Equivalents and Restricted Cash *(in thousands)*	**September 30, 2026**	**December 31, 2025**	**September 30, 2025**
Cash and Cash Equivalents	$ 5,909	$ 8,599	$ 4,430
Restricted Cash	-	-	-
Long-Term Restricted Cash	2,759	2,759	2,759
Cash, Cash Equivalents and Restricted Cash in the Consolidated Statement of Cash Flows	$ 8,668	$ 11,358	$ 7,189

The restricted cash amounts primarily represented funds deposited into a segregated account as cash collateral supporting a letter of credit issued by the Company related to a performance and reclamation bond for Northern Pipeline.

Recent Accounting Pronouncements

Accounting Guidance Not Yet Adopted

In November 2024, the FASB issued ASU No. 2024-03, Disaggregation of Income Statement Expenses (Subtopic 220-40)("ASU 2024-03"). ASU 2024-03 which requires disaggregated disclosures of income statement expenses for public business entities. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and for interim reporting periods that begin after December 15, 2027. The Company is currently evaluating the impact that adoption of this guidance will have on its consolidated financial statements and related disclosures.

NOTE 2 – REPORTABLE SEGMENTS

The Company currently operates in two reportable segments based upon its organizational structure and the way in which its operations are managed and evaluated. The Company's largest segment is Land and Water Resources, which comprises all activities related to its properties in the eastern Mojave Desert, including pre-revenue development of the Mojave Groundwater Bank for the supply, storage and conveyance of water, as well as its agricultural operations (alfalfa farming). The Company's second operating segment is Water Treatment Technology, consisting of ATEC Water Systems LLC ("ATEC"), which provides innovative water treatment solutions for impaired or contaminated groundwater sources. The Chief Operating Decision-Maker ("CODM") is the Chief Executive Officer of Cadiz Inc.

The CODM primarily evaluates the performance of its Land and Water Resources segment based upon milestones related to project development, as well as segment operating income (loss). We evaluate the performance of our Water Treatment Technology segment based upon segment operating income (loss). Interest expense and income tax expense are excluded from the computation of operating (loss) for the segments. Segment net revenue, segment operating expenses and segment operating (loss)/income information consisted of the following for the three and nine months ended September 30, 2026 and 2025:

	Three Months Ended September 30, 2026		
(in thousands)	**Land and Water Resources**	**Water Treatment Technology**	**Total**
Revenues:			
Sales revenue	$ 148	$ 1,193	$ 1,341
Services revenue	-	117	117
Rental income	114	-	114
Total revenues	$ 262	$ 1,310	$ 1,572
Costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	461	717	1,178
Cost of sales, service revenue	-	90	90
General and administrative	8,109	1,114	9,223
Depreciation	357	20	377
Total costs and expenses	8,927	1,941	10,868
Operating (loss) income	$ (8,665)	$ (631)	$ (9,296)

	Three Months Ended September 30, 2025		
(in thousands)	**Land and Water Resources**	**Water Treatment Technology**	**Total**
Revenues:			
Sales revenue	$ 3	$ 3,922	$ 3,925
Services revenue	-	112	112
Rental income	112	-	112
Total revenues	$ 115	$ 4,034	$ 4,149
Costs and expenses:			
Cost of sales, sales revenue (exclusive of depreciation shown separately below)	985	1,984	2,969
Cost of sales, service revenue	-	46	46
General and administrative	4,730	996	5,726
Depreciation	295	9	304
Total costs and expenses	6,010	3,035	9,045
Operating (loss) income	$ (5,895)	$ 999	$ (4,896)

(in thousands)	Nine Months Ended September 30, 2026		
	Land and Water Resources	Water Treatment Technology	Total
Revenues:			
Sales revenue	$ 506	$ 2,886	$ 3,392
Services revenue	-	458	458
Rental income	333	-	333
Total revenues	839	3,344	4,183
Costs and expenses:			
Cost of sales, sales revenue (exclusive of depreciation shown separately below)	1,166	2,079	3,245
Cost of sales, services revenue	-	233	233
General and administrative	21,233	3,291	24,524
Depreciation	1,101	46	1,147
Total costs and expenses	23,500	5,649	29,149
Operating (loss) income	$ (22,661)	$ (2,305)	$ (24,966)

(in thousands)	Nine Months Ended September 30, 2025		
	Land and Water Resources	Water Treatment Technology	Total
Revenues:			
Sales revenue	$ 777	$ 9,926	$ 10,703
Services revenue	-	192	192
Rental income	334	-	334
Total revenues	1,111	10,118	11,229
Costs and expenses:			
Cost of sales, sales revenue (exclusive of depreciation shown separately below)	2,098	5,597	7,695
Cost of sales, services revenue	-	63	63
General and administrative	17,877	2,891	20,768
Depreciation	884	25	909
Total costs and expenses	20,859	8,576	29,435
Operating (loss) income	$ (19,748)	$ 1,542	$ (18,206)

Assets by operating segment are as follows (dollars in thousands):

	September 30, 2026	December 31, 2025
Operating Segment:		
Water and Land Resources	$ 133,976	$ 130,900
Water Treatment Technology	6,736	10,014
	$ 140,712	$ 140,914

Goodwill by operating segment is as follows (dollars in thousands):

	September 30, 2026	December 31, 2025
Operating Segment:		
Water and Land Resources	$ 3,813	$ 3,813
Water Treatment Technology	1,901	1,901
	$ 5,714	$ 5,714

NOTE 3 – LONG-TERM DEBT

At September 30, 2026, the carrying value and estimated fair value of the Company's secured non-convertible term loans under the Credit Agreement (as defined below) were $20.2 million and $19.5 million, respectively; those of its convertible loans under the Credit Agreement (the New Secured Convertible Debt and the Convertible Loan, each as defined below) were $41.7 million and $48.0 million, respectively; and those of its term loans under the Lytton Credit Agreement (described below) were $31.8 million and $29.9 million, respectively. The fair values of the secured non-convertible term loans and the Lytton term loans were estimated by discounting their contractual cash flows at U.S. Treasury yields plus estimated company-specific credit spreads reflecting the respective loans' collateral protections and credit risk. The fair value of the convertible loans was estimated using a lattice model with inputs that include the Company's stock price, expected volatility, U.S. Treasury yields and estimated company-specific credit spreads. Because the estimated credit spreads are significant unobservable inputs, these fair value measurements are categorized within Level 3 of the fair value hierarchy. The annual effective interest rate on the Company's debt was 14.8% for the nine months ended September 30, 2026.

On July 2, 2021, the Company entered into a $50 million senior secured credit agreement ("Credit Agreement"). Interest is paid quarterly at a rate of seven percent per annum. The obligations under the Credit Agreement are secured by substantially all of the Company's assets on a first-priority basis. At any time, the Company is permitted to prepay the principal of the debt, in whole or in part, provided that such prepayment is accompanied by any accrued interest on such principal amount being prepaid.

On February 2, 2023, the Company entered into a First Amendment to Credit Agreement to amend certain provisions of the Credit Agreement ("First Amended Credit Agreement"). In connection with the First Amended Credit Agreement, the Company repaid $15 million of the senior secured debt together with fees and interest required to be paid in connection with such repayment under the Credit Agreement. Under the First Amended Credit Agreement, the lenders have a right to convert up to $15 million of outstanding principal, plus any PIK interest and any accrued and unpaid interest (the "Convertible Loan") into shares of the Company's common stock at a conversion price of $4.80 per share (the "Conversion Price"). The annual interest rate remains unchanged at 7.00%. Interest on $20 million of the principal amount is paid in cash. Interest on the $15 million principal amount of the Convertible Loan is paid in kind on a quarterly basis by addition of such amount to the outstanding principal amount of the outstanding Convertible Loan. The amendment was recorded as a debt extinguishment.

On March 6, 2024, the Company entered into the Third Amended Credit Agreement. Before entering into the Third Amended Credit Agreement, Heerema purchased the outstanding secured non-convertible term loans under the Credit Agreement ("Assignment") at a discount on behalf of the Company. The Assignment was considered a debt extinguishment resulting in a gain of $1.9 million recorded as additional paid-in-capital as Heerema is a significant shareholder of the Company. The acquired secured non-convertible term loans were issued to Heerema at a discount which is being amortized over the term of the non-convertible term loan. In connection with the Assignment, the existing holders of both the Convertible Loan and non-convertible term loans consented to effectuate the Third Amended Credit Agreement in consideration of a consent fee in the aggregate amount of $479,845 payable in the form of the Company's registered common stock (valued at $2.89 per share, or 166,036 shares). The consent fee was capitalized as an additional debt discount and is being amortized over the remaining term of the Convertible Loan.

The Third Amended Credit Agreement provides, among other things, (a) a new tranche of senior secured convertible terms loans from Heerema in an aggregate principal amount of $20 million, having a maturity date of June 30, 2027 ("New Secured Convertible Debt"); (b) the aggregate principal amount of the secured non-convertible term loans acquired by Heerema has been increased from $20 million to $21.2 million and the applicable repayment fee in respect thereof has been eliminated; (c) the Convertible Loan existing prior to the Third Amended Credit Agreement, in an aggregate principal amount of approximately $16 million plus interest accruing thereon, has become unsecured; and (d) extension of the maturity date for the existing Convertible Loan and non-convertible loans to June 30, 2027. The New Secured Convertible Debt bears PIK interest at a rate of 7% per annum, payable quarterly in arrears. The initial conversion price of the New Secured Convertible Debt was $5.30 per share and is subject to anti-dilution adjustments. As a result of registered direct offerings completed in November 2024 and March 2025, the conversion price of the New Secured Convertible Debt was reduced to $5.04 per share.

As a result of the registered direct offering completed in October 2026, the conversion price of the New Secured Convertible Debt was reduced to $5.00 per share.

On October 27, 2025, the Company entered into a Fourth Amendment to the Credit Agreement, which permitted the Company to incur up to $51.0 million of unsecured indebtedness under the Lytton Credit Agreement, subject to Heerema's consent to any conversion of that indebtedness into common stock that would reduce Heerema's combined voting power below 20%. The Fourth Amendment did not change the interest rate, principal, maturity or conversion terms of the loans.

On August 12, 2026, the Company entered into the Fifth Amendment, which extended the maturity date of each of these loans to June 30, 2028. No other terms of the loans were changed. For the New Secured Convertible Debt and the non-convertible term loans, both held by Heerema, the extension was accounted for as a debt modification. The combined $1.7 million increase in the fair value of the conversion feature of the New Secured Convertible Debt and of the Heerema Warrant, whose expiration date was extended in connection with the Fifth Amendment (see below), was recorded as additional debt discount on the Heerema loans, with a corresponding increase in additional paid-in capital, and is being amortized to interest expense over the remaining term of those loans. For the Convertible Loan, which is held by Whitefort Capital Master Fund, LP, a lender that is not a related party, the extension was accounted for as a debt extinguishment because the increase in the fair value of its conversion feature exceeded 10% of its carrying amount. The Company recognized a noncash loss on extinguishment of debt of $2.1 million, equal to the excess of the fair value of the amended Convertible Loan over the net carrying amount of the extinguished loan. Because the amended Convertible Loan was considered issued at a substantial premium, it was recorded at its principal amount, including PIK interest, and the $3.0 million premium was recorded in additional paid-in capital.

In connection with the debts issued to Heerema, the Company issued a warrant to purchase 1,000,000 shares of our common stock (the "Heerema Warrant") to Heerema. The initial exercise price of the Heerema Warrant is $5.00 per share, which is subject to anti-dilution adjustments. As a result of registered direct offerings completed in November 2024 and March 2025, the exercise price of the Heerema Warrant was reduced to $4.75 per share and the number of shares issuable upon its exercise increased to 1,051,724. In connection with the Fifth Amendment, on August 12, 2026, the expiration date of the Heerema Warrant was extended to June 30, 2028. As a result of a registered direct offering that was completed in October 2026, the exercise price of the Heerema Warrant was reduced to $4.73 per share, increasing the number of shares issuable upon its exercise from 1,051,724 to 1,057,709. The Company recorded the fair value of the Heerema Warrant on the issuance date as additional paid-in capital in the amount of $0.9 million. In addition, the fair value of the Heerema Warrant was recorded as debt discount and is being amortized over the term of the secured debt issued to Heerema.

Heerema, which holds the New Secured Convertible Debt, non-convertible term loans and Heerema Warrant, is also a significant shareholder of the Company's common stock, holding 25,695,300 shares or approximately 30.3% of the issued and outstanding shares as of September 30, 2026. At September 30, 2026, the Company's loans from Heerema had outstanding principal, including PIK interest, of $45.2 million ($21.2 million of non-convertible term loans and $24.0 million of New Secured Convertible Debt) and a carrying amount of $42.4 million. Interest expense on these loans, including amortization of debt discount, was $1.1 million for each of the three months ended September 30, 2026 and 2025, and $3.4 million and $3.2 million for the nine months ended September 30, 2026 and 2025, respectively. During the nine months ended September 30, 2026, the Company paid Heerema $1.1 million of interest in cash on the non-convertible term loans, and $1.2 million of interest on the New Secured Convertible Debt was paid in kind and added to its principal.

In the event of certain asset sales, the incurrence of indebtedness or a casualty or condemnation event, in each case, under certain circumstances as described in the Credit Agreement, the Company will be required to use a portion of the proceeds to prepay amounts under the secured debt. In the event of any additional issuance of depositary receipts ("Depositary Receipts") representing interests in shares of 8.875% Series A Cumulative Perpetual Preferred Stock ("Series A Preferred Stock") by the Company, the Company will be required to, within five business days after the receipt of the net cash proceeds, apply 75% of the net cash proceeds to prepay amounts due under the debt (including the applicable repayment fee described above).

The Credit Agreement includes customary affirmative and negative covenants, including delivery of financial statements and other reports. The negative covenants limit the ability of the Company to, among other things, incur debt, incur liens, make investments, sell assets, pay dividends and enter into transactions with affiliates. In addition, the Credit Agreement includes customary events of default and remedies. The Company was in compliance with all covenants under the Credit Agreement as of September 30, 2026.

On October 27, 2025 (the "Effective Date"), the Company entered the Lytton Credit Agreement pursuant to which Lytton committed to provide an unsecured term loan facility with a maximum of $51 million in principal to be drawn in installments through April 30, 2027 to fund the construction, development, ownership, operation, and other ongoing costs of the Mojave Groundwater Bank, and to reimburse the Company's expenses related thereto (the "Tribal Investment"). The unsecured term loan bears interest at a fixed rate of 8% per annum, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year. Interest may be paid in cash or, upon mutual agreement between the Company and Lytton, in shares of the Company's common stock determined in accordance with the Lytton Credit Agreement. The Tribal Investment matures on April 30, 2031 ("Initial Maturity Date") which may be extended to April 30, 2036.

In connection with the Lytton Credit Agreement, the Company agreed to issue shares of its common stock to Lytton as follows:

- upon execution of the Lytton Credit Agreement, a commitment fee of 600,000 shares;
- on each funding date, a funding fee of 25,000 shares per $1 million of principal amount funded; and
- in the event the Tribal Investment is extended beyond the Initial Maturity Date, an extension fee of 800,000 shares.

The Company has evaluated whether the contracts to issue the Company's common stock to secure funding should be classified as equity or a derivative liability pursuant to ASC 815-40. The Company's obligation to deliver variable funding fee shares depending on the amount drawn on the facility by the Company is not indexed to the Company's own stock under ASC 815-40 because the number of shares issuable varies with the amount drawn, which is not an input to the fair value of a fixed-for-fixed option or forward on the Company's common stock. Accordingly, the obligation does not qualify for equity classification and is recognized as a derivative liability of $7 million at inception on October 27, 2025 and $1.1 million as of September 30, 2026, subject to reassessment at each reporting period. The value of the commitment shares and the derivative liability at inception were capitalized in other noncurrent assets, $2.4 million as of September 30, 2026. A portion of the asset is recognized as a debt discount when the loan is drawn. The extension fee is an equity contract that is not separately recognized as the probability of extending the maturity date was considered by the Company to be remote.

At any time following the funding of the full $51 million Tribal Investment amount under the Lytton Credit Agreement or on the maturity date, at Lytton's election, any outstanding principal and accrued interest of the Tribal Investment may be converted into a contractual right to receive a share of future cash flows from the Company's water-storage rights (the "Storage Cash Flows Right"), which will entitle Lytton to receive up to 51% of the cash flows generated from the Company's water-storage operations, provided that Lytton contributes the Storage Cash Flows Right to Mojave Water Infrastructure Company, LLC ("MWI"), the Company's special purpose entity formed to construct, own and operate the Mojave Groundwater Bank, in exchange for an ownership interest in MWI alongside other expected equity investors in MWI on the same economic terms whereby such interest in MWI remains subject to definitive agreements to be mutually agreed upon by the parties including the Company.

On November 4, 2025, the Company made an initial draw of $15 million for reimbursement of Mojave Groundwater Bank project expenses and to support development activities. A second draw of $15 million was made in March 2026. A third draw of $10 million was made in August 2026. A fourth draw of $11 million was made in November 2026.

NOTE 4 – STOCK-BASED COMPENSATION PLANS

The Company has issued options and has granted stock awards pursuant to its 2019 Equity Incentive Plan, as described below.

2019 Equity Incentive Plan

The 2019 Equity Incentive Plan (as amended, "2019 EIP") was originally approved by stockholders at the July 10, 2019 Annual Meeting, with amendments to the plan approved by stockholders at the July 12, 2022 Annual Meeting, the June 11, 2024 Annual Meeting and the June 12, 2025 Annual Meeting. The plan, as amended, provides for the grant and issuance of up to 7,200,000 shares and options to the Company's employees, directors and consultants.

Effective July 1, 2021, under the 2019 EIP, each outside director receives $75,000 of cash compensation and receives a deferred stock award consisting of shares of the Company's common stock with a value equal to $25,000 on June 30 of each year. The award accrues on a quarterly basis, with $18,750 of cash compensation and $6,250 of stock earned for each fiscal quarter in which a director serves. The deferred stock award vests automatically on the January 31 that first follows the award date.

Stock Awards to Directors, Officers, and Consultants

The Company has granted stock awards pursuant to its 2019 EIP.

Of the total 7,200,000 shares reserved under the 2019 Equity Incentive Plan, as amended, 6,480,642 shares and restricted stock units ("RSUs") have been awarded to the Company directors, employees and consultants as of September 30, 2026. Of the 6,480,642 shares and RSUs awarded, 45,773 shares were awarded to the Company's directors on June 30, 2026 for services performed during the plan year ended June 30, 2026. These shares will vest and be issued on January 31, 2027.

In January 2024, 60,000 RSUs were granted to employees which vested on January 2, 2025.

In April 2024, the Company granted 1.6 million RSUs and performance stock units ("PSUs") in conjunction with entering into an amended and restated employment agreement with the Company's Chief Executive Officer with (a) 700,000 RSUs that vest over a three-year period from 2024 to 2026; (b) 600,000 RSUs to vest upon achievement of milestones related to completion of certain permits, entering into binding contract for water delivery or storage, and delivery of water, and (c) 300,000 PSUs to vest upon a Price Hurdle of $15 per share for 20 consecutive days. In 2025, the Company's Chief Executive Officer and the Company mutually agreed to cancel 300,000 PSUs and 10,000 RSUs so that the underlying shares can be utilized for grants to other key employees and consultants. In April 2026, the Company's Chief Executive Officer and the Company mutually agreed to cancel an additional 150,500 RSUs so that the underlying shares can be utilized for grants to other key employees and consultants.

In September 2024, the Company granted 275,000 RSUs in conjunction with entering into an employment agreement with the Company's Chief Operating Officer. 137,500 of these RSUs vest over a three-year period from September 2024 to September 2027 and the remaining 137,500 RSUs will vest upon achievement of milestones related to completion of certain permits, entering into binding contracts for water delivery or storage, and delivery of water. In July 2026, 25,000 of the shares underlying these RSUs vested upon achievement of certain milestones.

In January 2025, 150,000 RSUs were granted to consultants ("January 2025 RSU Grant"). Of the 150,000 RSUs granted under the January 2025 RSU Grant, 16,250 RSUs vested and were issued immediately, 50,000 RSUs vested in February 2025 upon achievement of certain milestones and 50,000 RSUs vested in July 2025 upon achievement of certain milestones. The remaining 33,750 RSUs granted under the January 2025 RSU Grant vested in equal quarterly installments through December 2025.

In February 2025, 420,000 RSUs for bonus awards were granted to employees which vested and became issuable immediately. Of these 420,000 RSUs, the Company issued 382,477 shares net of taxes withheld and paid in cash by the Company.

In March 2025, 145,000 RSUs were granted to consultants ("March 2025 RSU Grant"). Of the 145,000 RSUs granted under the March 2025 RSU Grant, 85,000 shares were subject to vesting upon achievement of certain milestones and 60,000 shares vest over a period of one year. In June 2025, 55,000 of the shares underlying these RSUs vested upon achievement of certain milestones; in June 2026, 15,000 of the shares underlying these RSUs vested upon achievement of certain milestones; and in July 2026, 15,000 of the shares underlying these RSUs vested upon achievement of certain milestones.

In September 2025, 150,000 RSUs and PSUs were granted to a consultant ("September 2025 RSU Grant"). Of the 150,000 units granted under the September 2025 RSU Grant, 25,000 RSUs vested on September 30, 2025, and 50,000 RSUs expired on March 31, 2026. The remaining 75,000 PSUs expired on August 31, 2026.

In October 2025, 1,060,600 RSUs were granted to employees ("October 2025 RSU Grant"). Of the 1,060,600 RSUs granted under the October 2025 RSU Grant, 700,000 RSUs were subject to vesting upon achievement of milestones related to completion of certain permits, entering into binding contracts for water delivery and storage and delivery of water, and 360,600 RSUs vest in quarterly installments through December 31, 2027. In October 2025, 50,000 of the shares underlying these RSUs vested upon achievement of certain milestones. In July 2026, 95,000 of the shares underlying these RSUs vested upon achievement of certain milestones.

In April 2026, 275,500 RSUs for bonus awards were granted to employees and consultants which vested and became issuable immediately. Of these 275,500 RSUs, the Company issued 250,575 shares net of taxes withheld and paid in cash by the Company.

In July 2026, the Company announced a chief financial officer succession plan pursuant to which Stanley E. Speer retired as the Company's Chief Financial Officer effective as of September 1, 2026. Jacinto J. Hernandez was appointed as the Company's Executive Vice President of Finance and became the Company's Chief Financial Officer upon Mr. Speer's retirement.

In conjunction with the succession plan, Mr. Hernandez was granted one-time inducement awards outside of the Company's 2019 Equity Incentive Plan (the "Plan") consisting of (i) 800,000 restricted stock units ("RSUs"), of which 200,000 RSUs vested upon grant, and the remaining 600,000 RSUs vesting in twelve approximately equal quarterly installments over three years, and (ii) 800,000 performance stock units ("PSUs") which will vest upon achievement of specified stock price hurdles. The Company recorded $1.2 million in stock compensation as of September 30, 2026 and expects to record an additional $2.7 million in the future related to unvested RSUs related to this grant.

In connection with his retirement, Mr. Speer entered into a Separation Agreement which provides for, among other things, accelerated vesting of unvested service-based RSUs representing 68,700 shares, a new grant of fully vested RSUs under the Plan representing 100,000 shares in lieu of Mr. Speer's forfeited 2026 bonus opportunity, and continued eligibility for vesting of milestone-based RSUs representing 85,000 shares tied to the closing of project financing for the Northern Pipeline. Additionally, Mr. Speer will forfeit unvested milestone-based RSUs representing 150,000 shares. The Company recorded $0.5 million in stock compensation as of September 30, 2026 related to the Separation Agreement.

The accompanying consolidated statements of operations and comprehensive loss include approximately $5,450,000 and $3,822,000 of stock-based compensation expense related to stock awards in the nine months ended September 30, 2026 and 2025, respectively.

NOTE 5 – INCOME TAXES

As of September 30, 2026 the Company had net operating loss ("NOL") carryforwards of approximately $397 million for federal income tax purposes and $379 million for California state income tax purposes. Such carryforwards expire in varying amounts through the year 2037 and 2045 for federal and California purposes, respectively. For federal losses arising in tax years ending after December 31, 2017, the NOL carryforwards are allowed indefinitely. Use of the carryforward amounts is subject to an annual limitation as a result of a previous ownership change and a tax ownership change that occurred in June 2021.

The Company's tax years 2023 through 2025 remain subject to examination by the Internal Revenue Service, and tax years 2022 through 2025 remain subject to examination by California tax jurisdictions. In addition, the Company's loss carryforward amounts are generally subject to examination and adjustment for a period of three years for federal tax purposes and four years for California purposes, beginning when such carryovers are utilized to reduce taxes in a future tax year.

Because it is more likely than not that the Company will not realize its net deferred tax assets, it has recorded a full valuation allowance against these assets. Accordingly, no deferred tax asset has been reflected in the accompanying condensed consolidated balance sheet.

NOTE 6 – NET LOSS PER COMMON SHARE

Basic net loss per common share is computed by dividing the net loss attributable to common stock holders by the weighted-average common shares outstanding. Options, restricted stock units, performance stock units, convertible debt, convertible preferred shares and warrants were not considered in the computation of net loss per share because their inclusion would have been antidilutive. Had these instruments been included, the fully diluted weighted average shares outstanding would have increased by approximately 11,371,000 and 10,610,000 for the three months ended September 30, 2026 and 2025, respectively; and 11,087,000 and 10,525,000 for the nine months ended September 30, 2026 and 2025, respectively.

NOTE 7 – LEASES & PROPERTY, PLANT, EQUIPMENT AND WATER PROGRAMS

Property, plant, equipment and water programs consist of the following (dollars in thousands):

	September 30, 2026	December 31, 2025
Land and land improvements	$ 38,765	$ 39,211
Water programs	32,590	32,023
Pipeline	22,110	22,106
Buildings	1,837	1,805
Leasehold improvements, furniture and fixtures	1,624	1,623
Machinery and equipment	4,859	4,427
Construction in progress	8,290	6,018
	110,075	107,213
Less accumulated depreciation	(12,965)	(11,829)
	$ 97,110	$ 95,384

Effective February 1, 2024, the Company entered into a 26-year right-of-way agreement with the United States Bureau of Land Management ("BLM") with respect to the Company's Northern Pipeline asset authorizing maintenance of the idle pipeline under the Mineral Leasing Act ("MLA ROW Grant"), which resulted in recording right-of-use assets and lease liabilities in the amount of $1.9 million resulting from $4.8 million in future lease payments over the 26 years less imputed interest of $2.9 million based upon a 10% weighted average discount rate. Rent under the agreement is set at fair market value as determined by BLM under its published per-acre rent schedule for linear rights-of-way, which is adjusted annually by a defined inflation factor and recalculated by BLM periodically. In accordance with ASC 842, the Company measured its lease payments using the rate in effect at the February 1, 2024, commencement date, approximately $186,000 annually, and does not remeasure the lease liability for subsequent changes in that rate.

Effective January 1, 2026, BLM issued an updated per-acre rent schedule for calendar years 2026 through 2035, under which rent billed for the right-of-way increased to $474,000 for calendar year 2026. There was no change in the acreage encumbered or in any other term of the agreement. In accordance with ASC 842, the Company recognizes the excess over the commencement-date rate as variable lease cost in the period incurred. Lease cost related to the BLM right-of-way was $356,000 for the nine months ended September 30, 2026, consisting of operating lease cost of $140,000 and variable lease cost of $216,000, compared with $139,000 for the nine months ended September 30, 2025. BLM's rent schedule provides for 2.6% annual increases through 2035 and is subject to recalculation thereafter, so future rent may differ materially from the payments included in the measurement of the lease liability.

On July 14, 2026, BLM issued FGMWC, a consolidated VIE (see Note 1 – "Basis of Presentation"), a right-of-way grant under Title V of the Federal Land Policy and Management Act (the "FLPMA ROW Grant") that authorizes the construction, operation and maintenance of a water transmission line and ancillary facilities on approximately 475 acres of BLM-administered lands crossed by the Northern Pipeline. The FLPMA ROW Grant terminates on December 31, 2071, and may be renewed upon application by FGMWC and approval by BLM; renewal is not included in the lease term.

Rent under the FLPMA ROW Grant is set at fair market value as determined by BLM under its per-acre rent schedule for linear rights-of-way. The Company accounts for the FLPMA ROW Grant as an operating lease and recorded a right-of-use asset of $5.5 million and an operating lease liability of $5.2 million, resulting from $29.8 million in future lease payments less imputed interest of $24.6 million based upon a 12.75% discount rate. The right-of-use asset includes $268,000 of rent paid when the grant became effective. Lease payments include expected rent for 2027 through 2035 under the schedule BLM published before the grant became effective, which provides for 2.6% annual increases, and the 2035 rent for 2036 through 2071. Under the FLPMA ROW Grant, which commenced on July 14, 2026, rent is subject to periodic adjustments based on updated BLM rate schedules. Accordingly, rent increases resulting from the BLM schedule changes subsequent to commencement date, are recognized as variable lease cost. Lease costs associated with the FLPMA ROW Grant that are incurred during the conversion of the Northern Pipeline are capitalized as part of the cost of the Northern Pipeline, as these costs are directly attributable to preparing the pipeline for its intended use. Capitalization will cease when the Northern Pipeline is substantially complete and ready for its intended use. Operating lease cost for the FLPMA ROW Grant was $143,000 for the three and nine months ended September 30, 2026.

The FLPMA ROW Grant authorizes the conversion of the Northern Pipeline segments on BLM-administered lands previously authorized under the 26-year right-of-way agreement held by the Company's subsidiary Cadiz Real Estate LLC. The MLA ROW Grant remains in effect as of September 30, 2026, and is expected to remain effective until litigation related to the FLPMA ROW Grant is resolved (see Note 10 – "Commitments and Contingencies"). Under the MLA ROW Grant, which commenced in February 2024, rent is subject to periodic adjustments based on updated BLM rate schedules. Accordingly, rent increases resulting from the BLM schedule effective January 1, 2026, are recognized as variable lease cost. Under the FLPMA ROW Grant, the scheduled rates for 2027 through 2035, which BLM published before the grant became effective and which increase 2.6% annually, are included in the lease payments used to measure the lease liability.

In determining that the FLPMA ROW Grant is a lease and in measuring the lease, the Company made judgments regarding whether it obtains substantially all of the economic benefits from and directs the use of the right-of-way, whether rent increases under BLM's published schedule are lease payments, and its incremental borrowing rate for a term of approximately 45 years.

The Company has operating leases for right-of-way agreements, corporate offices, vehicles and office equipment. The Company's leases have remaining lease terms of 25 months to 45 years as of September 30, 2026, some of which include options to extend or terminate the lease. However, the Company is not reasonably certain to exercise options to renew or terminate, and therefore renewal and termination options are not included in the lease term or the right-of-use asset and lease liability balances. The Company's current lease arrangements expire between 2028 and 2071. The Company does not have any finance leases.

As a lessor, in February 2016, the Company entered into a lease agreement with Fenner Valley Farms LLC ("FVF") (the "lessee"), pursuant to which FVF is leasing, for a 99-year term, 2,100 acres owned by Cadiz in San Bernardino County, California, to be used to plant, grow and harvest agricultural crops ("FVF Lease Agreement"). As consideration for the lease, FVF paid the Company a one-time payment of $12.0 million upon closing. The Company expects to recognize non-cash rental income of $420,000 annually over the next five years related to the FVF Lease Agreement.

Depreciation expense on land improvements, buildings, leasehold improvements, machinery and equipment and furniture and fixtures was $1,147,000 and $909,000 for the nine months ended September 30, 2026 and 2025, respectively.

NOTE 8 – FAIR VALUE MEASUREMENTS

Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company considers a security that trades at least weekly to have an active market. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

On October 27, 2025, the Company recorded a derivative liability in the amount of $7.0 million related to funding fee shares to be issued under the Lytton Credit Agreement (see Note 3 – Long-Term Debt, above). The fair value of the derivative liability was estimated using the equity spot price approach, which involves remeasuring the liability at each reporting date based on the Company's closing common stock price. Upon each draw under the Lytton Credit Agreement, the portion of the derivative liability related to the funding fee shares was settled and reclassified to additional paid-in capital. These reclassifications were $1.9 million for the initial $15 million borrowing in November 2025, $1.8 million for the second $15 million draw in March 2026, and $0.9 million for the third $10 million draw in August 2026.

The number of shares expected to be issued is determined in accordance with the funding fee formula specified in the debt agreement (i.e., 25,000 shares per $1 million of principal funded at each funding date). The significant unobservable input is the amount the Company expects to borrow under the Lytton Credit Agreement. At September 30, 2026, the Company expected to draw the remaining $11.0 million available through April 30, 2027, resulting in the issuance of 275,000 funding fee shares. On November 10, 2026, the Company drew the remaining $11.0 million, and became obligated to issue the related 275,000 funding fee shares (see Note 11 – "Subsequent Events"). The stock price used in the measurement is the closing price of the Company's common stock on the measurement date, an observable input. Holding the stock price constant, a lower expected borrowing amount would reduce the fair value of the derivative liability proportionately. The change in fair value is recorded as an adjustment to the recorded derivative liability with the unrealized gains and losses reflected on the income statement.

(in thousands)	Level 3 Liabilities
Balance at December 31, 2025	$ (5,050)
Reclassification of derivative liabilities to additional paid-in capital	2,691
Unrealized gain on derivative liability	1,281
Balance at September 30, 2026	$ (1,078)

	Liabilities at Fair Value as of September 30, 2026			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities				
Derivative Liabilities	$ -	$ -	$ 1,078	$ 1,078
Total Liabilities	$ -	$ -	$ 1,078	$ 1,078

	Liabilities at Fair Value as of December 31, 2025			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities				
Derivative Liabilities	$ -	$ -	$ 5,050	$ 5,050
Total Liabilities	$ -	$ -	$ 5,050	$ 5,050

NOTE 9 – COMMON AND PREFERRED STOCK

Common Stock

The Company is authorized to issue 125 million shares of Common Stock at a $0.01 par value. As of September 30, 2026, the Company had 84,901,718 shares issued and outstanding.

On March 7, 2025, the Company completed the sale and issuance of 5,715,000 shares of its common stock to certain institutional investors in a registered direct offering. The shares of common stock were sold at a purchase price of $3.50 per share, for aggregate gross proceeds of approximately $20.0 million and aggregate net proceeds of approximately $18.3 million.

On October 30, 2026, the Company completed the sale and issuance of 5,000,000 shares of its common stock to certain institutional investors in a registered direct offering. The shares of common stock were sold at a purchase price of $4.20 per share, for aggregate gross proceeds of approximately $21.0 million and aggregate net proceeds of approximately $20 million.

Series 1 Preferred Stock

The Company has issued a total of 10,000 shares of Series 1 Preferred Stock ("Series 1 Preferred Stock") to certain holders ("Holders") under certain conversion and exchange agreements entered into in March 2020. Each share of Series 1 Preferred Stock is convertible at any time at the option of the Holder into 405.05 shares of Common Stock. As of March 31, 2023, Holders of Series 1 Preferred Stock exercised their option to convert 9,671 shares of Series 1 Preferred Stock into 3,917,235 shares of Common Stock. The Company has 329 shares of Series 1 Preferred Stock issued and outstanding as of September 30, 2026.

Series A Preferred Stock

On June 29, 2021, the Company entered into an Underwriting Agreement with B. Riley Securities, Inc., as representative of the several underwriters named there, to issue and sell an aggregate of 2,000,000 depositary shares (the "Depositary Shares"), as well as up to 300,000 Depositary Shares sold pursuant to the exercise of an option to purchase additional Depositary Shares ("Depositary Share Offering"), each representing 1/1000th of a share of the 8.875% Series A Cumulative Perpetual Preferred Stock (the "Series A Preferred Stock"). The Depositary Share Offering was completed on July 2, 2021, for net proceeds of approximately $54 million.

On July 1, 2021, the Company filed the Certificate of Designation ("Certificate of Designation") for the Series A Preferred Stock with the Secretary of State of the State of Delaware, which became effective upon acceptance for record. The Certificate of Designation classified a total of 7,500 shares of the Company's authorized shares of preferred stock, $0.01 par value per share, as Series A Preferred Stock.

As set forth in the Certificate of Designation, the Series A Preferred Stock will rank, as to dividend rights and rights upon the Company's liquidation, dissolution or winding up: (i) senior to Common Stock of the Company; (ii) junior to the Series 1 Preferred Stock with respect to the distribution of assets upon the Company's voluntary or involuntary liquidation, dissolution or winding up; (iii) senior to the Series 1 Preferred Stock with respect to the payment of dividends and (iv) effectively junior to all the Company's existing and future indebtedness (including indebtedness convertible into Common Stock or preferred stock) and to the indebtedness and other liabilities of (as well as any preferred equity interests held by others in) the Company's existing or future subsidiaries.

Holders of Series A Preferred Stock, when and as authorized by the Company's Board of Directors, are entitled to cumulative cash dividends at the rate of 8.875% of the $25,000.00 ($25.00 per Depositary Share) liquidation preference per year (equivalent to $2,218.75 per share per year or $2.21875 per Depositary Share per year). Dividends are payable quarterly in arrears, on or about the 15th of January, April, July and October, beginning on or about October 15, 2021. As of September 30, 2026, the Company has paid aggregate cash dividends of $25,691,000. On September 23, 2026, the Company's Board of Directors declared that holders of Series A Preferred stock will receive a cash dividend equal to $560.00 per whole share; therefore, holders of Depositary Shares will receive a cash dividend equal to $0.56 per Depositary Share. The dividend totaling $1,288,000 was paid on October15, 2026 to respective holders of record as of the close of business on October 5, 2026.

Dividends on the Series A Preferred Stock underlying the depositary shares will continue to accumulate whether or not (i) any of our agreements prohibit the current payment of dividends, (ii) we have earnings or funds legally available to pay the dividends, or (iii) our Board of Directors does not declare the payment of the dividends.

Holders of depositary shares representing interests in the Series A Preferred Stock generally will have no voting rights. However, if we do not pay dividends on any outstanding shares of Series A Preferred Stock for six or more quarterly dividend periods (whether or not declared or consecutive), holders of the Series A Preferred Stock (voting separately as a class with all other outstanding series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to elect two additional directors to the Board of Directors to serve until all unpaid dividends have been fully paid or declared and set apart for payment.

On and after July 2, 2026, the shares of Series A Preferred Stock are redeemable at the Company's option, in whole or in part, at a redemption price equal to $25,000.00 per share ($25.00 per Depositary Share), plus any accrued and unpaid dividends. Furthermore, upon a change of control or delisting event (each as defined in the Certificate of Designation), the Company will have a special option to redeem the Series A Preferred Stock at $25,000.00 per share ($25.00 per Depositary Share), plus any accrued and unpaid dividends.

Shares of Series A Preferred Stock are convertible into shares of Common Stock if, and only if, a change of control or delisting event (each as defined in the Certificate of Designation) has occurred, and the Company has not elected to redeem the Series A Preferred Stock prior to the applicable conversion date. Upon any conversion, each share of Series A Preferred Stock will be converted into that number of shares of Common Stock equal to the lesser of (i) the quotient obtained by dividing (A) the sum of (x) the $25,000 liquidation preference per share plus (y) the amount of an accrued and unpaid dividends to, but not including, the conversion date by (B) the Common Stock Purchase Price (as defined in the Certificate of Designation), and (ii) 3,748.13 (the "Share Cap"), subject to certain adjustments.

The Company has 2,300 shares of Series A Preferred Stock issued and outstanding as of September 30, 2026.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

In the normal course of its operations, the Company handles, stores, transports and dispenses products identified as hazardous materials. Regulatory agencies periodically conduct inspections and, currently, there are no pending claims with respect to hazardous materials.

Pursuant to cost-sharing agreements that have been entered into by participants in the Mojave Groundwater Bank, $625,000 in funds have been received in order to offset costs incurred in the environmental analysis of the Mojave Groundwater Bank. These funds may either be reimbursed or credited to participants' participation in the Mojave Groundwater Bank and, accordingly, are fully reflected as deferred revenue as of September 30, 2026 and September 30, 2025.

In conjunction with the 26-year right-of-way agreement with the BLM with respect to the Company's Northern Pipeline asset, the Company deposited approximately $420,000 towards a performance and reclamation bond with the BLM which has been recorded in Other Long-Term Deposits/Prepaid Expenses.

In connection with the FLPMA ROW Grant (see Note 7 – "Leases & Property, Plant, Equipment and Water Programs"), FGMWC deposited $2.54 million with BLM, funded by the Company, as a cash performance and reclamation bond, which has been recorded in Other Long-Term Deposits/Prepaid Expenses and must be maintained until BLM accepts the removal of improvements and restoration of the right-of-way at the end of the grant, or if re-evaluated by the BLM once pipeline construction is complete. The grant requires FGMWC to implement the mitigation measures identified in BLM's Environmental Assessment, including compensatory mitigation within California Desert National Conservation Lands at a 3:1 ratio for authorized surface disturbance, and to fund BLM's third-party compliance monitoring during construction. These costs will be incurred as construction of the Northern Pipeline conversion proceeds. At the end of the grant term, unless the grant is renewed, FGMWC is required to remove surface facilities and reclaim the right-of-way.

On November 10, 2024, the Company entered into a Purchase Option Agreement (the "Option Agreement") with GMHR Acquisitions Co., LLC and LKM Industries, Inc. (together, the "Owners") and North West Iron & Metal LLC, as consignee ("NWIM"). The Option Agreement grants the Company an exclusive option to purchase up to 950,400 linear feet (180 miles) of unused 36-inch steel pipe (the "Pipeline Assets") at $155.00 per linear foot, or up to approximately $147.3 million in the aggregate. The Company may exercise the option in whole or in part, in one or more exercises, during the option term. The Company is not obligated to purchase any Pipeline Assets. In the first quarter of 2025, the Company paid a non-refundable option payment of $5.0 million (the "Option Payment"), which is included in other assets in the accompanying condensed consolidated balance sheets. The initial option term expires November 10, 2026. On October 30, 2026, the Company elected to extend the option term under the Option Agreement through March 10, 2027 and paid a $1.0 million Extension Payment (see Note 11 – "Subsequent Events"). The Company may extend the option term for up to two additional 120-day periods, to no later than November 8, 2027, by paying a non-refundable $1.0 million for each extension (each, an "Extension Payment"), up to $3.0 million in total. The Option Payment and Extension Payments are not applied to the purchase price automatically. Instead, with any one exercise the Company may elect a one-time credit against the purchase price of that exercise. The maximum credit depends on when the exercise occurs: $4.25 million during the initial term, $5.1 million during the first extension, $5.95 million during the second extension and $6.8 million during the third extension, in each case limited to the purchase price of that exercise. These amounts equal 85% of the cumulative Option and Extension Payments that would have been paid by each period. If the Company elects a credit, the option terminates immediately and no further exercises may be made. The capitalized Option Payment and Extension Payments are carried at the lower of cost or fair value. If the option expires unexercised, or if it becomes probable that the Company will not exercise it, the Company will charge them to expense.

The Company is from time to time involved in various lawsuits and legal proceedings that arise in the ordinary course of business.

On July 28, 2026, two lawsuits were filed in the U.S. District Court for the Central District of California, one by the National Parks Conservation Association and others and one by the Center for Biological Diversity and others, challenging BLM's approval of and seeking to vacate the FLPMA ROW Grant. The FLPMA ROW Grant remains in effect. Neither the Company nor FGMWC is a party to the lawsuits. The United States, represented by the Department of Justice, filed its response in the Center for Biological Diversity case on October 6, 2026, and in the National Parks Conservation Association case on October 9, 2026, denying all of the plaintiffs' substantive claims in both cases.

The cases are not consolidated. A scheduling conference with the judge is set for November 19, 2026, in the Center for Biological Diversity case. A separate scheduling conference with the judge in the National Parks Conservation Association case is set for February 1, 2027. The Company cannot predict the outcome of the lawsuits. If the FLPMA ROW Grant were vacated, the Company would derecognize the related right-of-use asset and lease liability to the extent FGMWC's rights and obligations under the grant ended, and the Northern Pipeline conversion could be delayed.

At this time, the Company is not aware of any other pending or threatened litigation that it expects will have a material adverse effect on its business, financial condition, liquidity, or operating results. Legal claims are inherently uncertain and it is possible that the Company's business, financial condition, project equity fundraising, liquidity and/or operating results could be adversely affected in the future by legal proceedings.

NOTE 11 – SUBSEQUENT EVENTS

On October 29, 2026, the Company entered into a placement agent agreement for the sale of 5,000,000 shares of its common stock at a price of $4.20 per share in a registered direct offering. The offering closed on October 30, 2026, resulting in gross proceeds of $21 million and net proceeds of approximately $20 million, after placement agent fees and other offering expenses. The Company intends to use the net proceeds for general corporate purposes, including corporate overhead, operating and development expenses related to the development and construction of the Mojave Groundwater Bank.

The offering price of $4.20 per share was below the exercise price of the Heerema Warrant and the conversion price of the New Secured Convertible Debt. As a result, and in accordance with their anti-dilution provisions, the exercise price of the Heerema Warrant was reduced from $4.75 to $4.73 per share, increasing the number of shares issuable upon its exercise from 1,051,724 to 1,057,709, and the conversion price of the New Secured Convertible Debt was reduced from $5.04 to $5.00 per share. The conversion price of the Convertible Loan was not affected. The warrant adjustment will be accounted for as a deemed dividend in the fourth quarter of 2026. The Company estimates that the deemed dividend will be less than $0.1 million. No amount will be recognized for the adjustment to the conversion price of the New Secured Convertible Debt.

On October 30, 2026, the Company elected to extend the option term under the Option Agreement through March 10, 2027, and paid a $1.0 million Extension Payment. The Extension Payment will be capitalized in other assets together with the Option Payment. The Company may extend the option term for up to two additional 120-day periods for $1.0 million each. If the Company exercises the option during the first extension period, it may elect a one-time purchase price credit of up to $5.1 million, which would terminate the option.

On November 10, 2026, the Company drew the remaining $11 million available under the Lytton Credit Agreement and became obligated to issue the related 275,000 funding fee shares.

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

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the following discussion contains trend analysis and other forward-looking statements. Forward-looking statements can be identified by the use of words such as "intends", "anticipates", "believes", "estimates", "projects", "forecasts", "expects", "plans" and "proposes". Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. These include, among others, our ability to maximize value from our portfolio of assets and our ability to obtain new financings as needed to meet our ongoing operating and development needs. See additional discussion under the heading "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025. Our forward-looking statements are made only as of the date hereof. We assume no duty to update these forward-looking statements to reflect new, changed or unanticipated events or circumstances, other than as may be required by law.

We are a water solutions provider with a unique combination of land, water and infrastructure assets. We are located in Southern California between major water systems that serve population centers in the Southwestern United States. Our portfolio of assets includes 2.5 million acre-feet of permitted water supply, up to 1 million acre-feet of groundwater storage capacity, 220 miles of existing, underground pipeline infrastructure, and over 100 miles of right-of-way entitlements for pipeline construction. Through our ATEC subsidiary we also offer versatile, scalable and cost-effective water treatment technologies that remove contaminants and constituents of concern from groundwater. Our customers are public and private water systems, government agencies and commercial businesses.

Water Supply – In accordance with local, state, and federal laws, we own vested water rights authorizing the withdrawal of an average of 50,000 acre-feet per year ("AFY"), or 2.5 million acre-feet of groundwater over 50 years, from the aquifer system underlying our property in the Cadiz Valley ("Cadiz Ranch") for beneficial uses, including agricultural development on our property and export to serve communities across the region. Because the groundwater in the aquifer system is eventually lost to evaporation, surplus water that is captured and withdrawn before it evaporates is a new water supply (i.e. "conserved" water).

Water Storage – The aquifer system at Cadiz Ranch is large enough for use as a water "banking" facility, capable of storing water "in-lieu" for supply customers and up to 1 million acre-feet of imported surplus water for return during drought periods. For comparison, Metropolitan Water District of Southern California stores approximately 1.2 million acre-feet of water in Lake Mead, the largest surface reservoir in the United States.

Water Conveyance – We own an existing 220-mile 30-inch steel pipeline ("Northern Pipeline") that runs near water storage and conveyance facilities in Southern California, including the California Aqueduct, the Los Angeles Aqueduct, and the Mojave River Pipeline. The maximum potential capacity of the Northern Pipeline for water conveyance is anticipated to be 25,000 AFY with 21,275 AFY under contract. In July 2026, we received a 45-year right-of-way grant from the U.S. Department of the Interior and the Bureau of Land Management ("BLM") that authorizes the conversion and operation of the Northern Pipeline for water conveyance including the construction of pump stations and related facilities on federal land. We also own a 99-year lease with the Arizona & California Railroad Company ("ARZC") that authorizes construction of a 43-mile water conveyance pipeline ("Southern Pipeline") within the active ARZC railroad right-of-way that extends from the Cadiz Ranch to the Colorado River Aqueduct ("CRA"). We currently expect the capacity of the Southern Pipeline to be 120,000 AFY to accommodate imported water storage and export of stored water. We hold an option to purchase up to 180 miles of existing unused 36" steel pipeline that can be used in construction of the Southern Pipeline system or to replace certain components of the Northern Pipeline. The option may be exercised in whole or in part at $155 per linear foot through March 10, 2027 and may be extended to no later than November 8, 2027 (see Note 10 – "Commitments and Contingencies").

The combination of the water supply, water storage and water conveyance infrastructure described above constitutes the "Mojave Groundwater Bank" or "Project" as discussed in more detail in Item 1. – Business of our Annual Report on Form 10-K for the year ended December 31, 2025.

Water Treatment Technology – In 2022, we completed the acquisition of the assets of ATEC Water Systems, Inc. into ATEC Water Systems, LLC ("ATEC"), which provides innovative water treatment solutions for impaired or contaminated groundwater sources. ATEC's specialized filtration media provide cost-effective, high-rate of removal for common groundwater impairments and contaminants that pose health risks in drinking water including iron, manganese, arsenic, Chromium-6, nitrates, per-and-polyfluoroalkyl substances (PFAS) and other constituents of concern.

Contracts (Commercial)

Beginning in 2024, we entered into long-term agreements with public water systems, private utilities, and a private water provider for the delivery of 21,275 AFY of water supply from the Mojave Groundwater Bank via the Northern Pipeline, representing approximately 85% of the total capacity of the Northern Pipeline and 45% of the total average long-term supply available under our current permits. Through FGMWC (see Note 1 – "Variable Interest Entity"), participating water providers have agreed to purchase, for up to a 50 year term, their contracted water supply on a "take on availability" basis for a delivered price "not to exceed" $1,450 - 1,750/AFY (in 2024 dollars) depending on terms with each participating water provider. The total cost of the water is expected to include a commodity charge, pro-rated operations and maintenance costs for conveyance, as well as a pro-rated capital charge per acre-foot for dedicated pipeline capacity. The contracts also include inflation escalators pegged to an agreed upon index such as the US Bureau of Labor Statistics Water & Sewer Index. While we believe the total cost of the water will be lower than other new water supplies being contemplated in the region, at current capital costs and interest rates, we estimate the delivered price of water may exceed the pricing specified in the original agreements. The agreements allow the agencies to accept water pricing above the "not to exceed price," and we expect them to adjust pricing after review of our capital and financing plan, as stated in the agreements. As contemplated in those agreements, we are pursuing grant funding and low-interest government loans that may reduce the delivered price, benefiting our participating water providers.

We expect the remaining water supply available under our current permit, or approximately 28,000 acre-feet per year, to be contracted for delivery via the Southern Pipeline, which is designed to interconnect with Colorado River Aqueduct. Parties that receive water from the Colorado River conveyance system directly or via exchange could contract for water from the Southern Pipeline including communities in Arizona that receive water from the Central Arizona Project or communities in California that receive water from the Colorado River Aqueduct. In 2010-2011 we entered into option agreements for water supply from the Southern Pipeline with Southern California based water providers totaling 40,000 acre-feet per year. Two options have already converted to water supply agreements for deliveries from the Northern Pipeline totaling 10,000 acre-feet per year. Approximately 25,000 acre-feet per year remain under option agreements entered into in 2010 and 2011.

In July 2026, we executed a Memorandum of Understanding ("MOU") with Central Arizona Irrigation and Drainage District ("CAIDD") for the purchase and sale of up to 10,000 acre-feet per year ("AFY") from the Mojave Groundwater Bank, representing our first potential agreement for water supply with an Arizona water district. The MOU is subject to the negotiation of necessary interstate exchange agreements to enable delivery of water from the Mojave Groundwater Bank to CAIDD via the Central Arizona Project.

We are in discussions with several additional parties interested in contracting for supply from the Southern Pipeline via the Colorado River Aqueduct, including municipal water providers, commercial users, agricultural users and Native American tribes in Arizona. These parties could take delivery from the Colorado River Aqueduct or the Central Arizona Project under exchange agreements.

In addition to available water supply, the Mojave Groundwater Bank offers one million acre-feet of imported storage capacity and 150,000 acre-feet for carryover storage of existing contracted supplies. We are in discussions with multiple parties with interest in contracting for storage capacity in the project.

In September 2025, we executed an MOU with the U.S. Bureau of Reclamation ("Reclamation") to explore incorporating the Mojave Groundwater Bank, including supply and storage capacity, into long-term Colorado River system planning, as federal authorities contemplate solutions to the ongoing drought and long-term stress on the river system. In late May 2026, we entered into a funding agreement with Reclamation to support technical and regulatory review activities associated with the 2025 MOU, including Reclamation's review of proposed water exchange agreements necessary to deliver water to Arizona parties and technical work to validate water supply and delivery capability and evaluate necessary steps to support potential federal investment in the project.

Permitting

On July 14, 2026, FGMWC received from the U.S. Department of the Interior, Bureau of Land Management ("BLM") an effective Right-of-Way Grant (the "Grant") issued pursuant to Title V of the Federal Land Policy and Management Act ("FLPMA") following the BLM's completion of an Environmental Assessment pursuant to the National Environmental Policy Act ("NEPA") and issuance of a Decision Record and Finding of No Significant Impact ("FONSI"). In connection with its decision, the BLM also completed consultation and compliance under Section 106 of the National Historic Preservation Act ("NHPA") and Section 7 of the Endangered Species Act ("ESA").

The FLPMA ROW Grant authorizes the conversion of the Northern Pipeline to water conveyance including construction, operation and maintenance of facilities located on BLM-administered lands on approximately 58-miles crossed by the 220-mile pipeline. In total, we expect to convert approximately 162 miles from Cadiz to Mojave, California to make deliveries under the agreements to deliver 22,000 acre-feet per year.

We paid all required right-of-way rent and associated fees and delivered a performance and reclamation bond in the amount of approximately $2.5 million, satisfying the remaining requirements for the FLPMA ROW Grant to become effective. BLM has provided FGMWC notice to proceed with activities outlined in its Plan of Development for the Northern Pipeline conversion project necessary to prepare for and complete construction, including pipeline integrity testing and pump station location geotechnical investigations.

The US Air Force is processing an application by FGMWC for an outgrant easement for the Northern Pipeline, which crosses approximately 17 miles of Edwards Air Force Base ("EAFB"). No facilities are planned on EAFB lands and no access to EAFB lands is required for conversion of the pipeline to water conveyance. This section of the pipeline remains subject to a Mineral Leasing Act right of way for maintenance of the idle pipeline across military lands. The US Air Force easement is expected to be completed prior to completion of the Northern Pipeline conversion project (See Note 1 - "Basis of Presentation" and Note 7- "Leases and Property, Plant, Equipment, and Water Programs").

The California State Lands Commission is processing an application by FGMWC for a lease for a 1.1 mile portion of the Northern Pipeline, which crosses California State Indemnity School Lands. In addition, and in accordance with California Water Code Section 1815, FGMWC is seeking a finding from the Commission that the transportation of water from the Mojave Groundwater Bank will not "adversely affect the natural or cultural resources, including groundwater resources or habitat" of the desert lands described in the statute including project area. The application was deemed complete in April 2026. FGMWC provided cost recovery for a finding report being prepared by an environmental consultant retained by the Commission and the finding report is expected to be made available before the end of the year.

Construction

In July 2026, FGMWC executed the principal construction contracts for the Northern Pipeline conversion project using a construction manager at risk ("CMAR") delivery model. The contracts establish guaranteed maximum prices ("GMPs") for the pump station and pipeline replacement components of the Northern Pipeline conversion project. These GMPs, together with contractual pricing and option agreements for equipment, materials and necessary components expected to be procured by FGMWC, support an estimated capital cost of approximately $400 million to place the Northern Pipeline into service. The Northern Pipeline's detailed engineering, procurement and construction pricing also provides a more reliable basis for estimating the cost of comparable components of the Southern Pipeline. Although the Southern Pipeline estimate remains subject to further engineering and negotiation of a GMP, we currently estimate that approximately $1.1 billion of additional capital will be required to place the Southern Pipeline into service. In total, the expected Northern Pipeline and Southern Pipeline capital costs are estimated at $1.5 billion.

Project Financing

To finance construction of all improvements and required facilities to operate the Mojave Groundwater Bank project including the Northern Pipeline, Southern Pipeline and related facilities, we established a special purpose business entity named Mojave Water Infrastructure Company LLC ("MWI") that will fund these capital costs in partnership with public sector, tribal and other investors. MWI investors are expected to coordinate with us and project participants to seek available infrastructure grants and/or other financing alternatives such as public debt and infrastructure debt financing.

In October 2025, we entered into the Lytton Credit Agreement, pursuant to which we may require Lytton to provide up to $51 million in an unsecured loan facility, convertible into the Storage Cash Flows Right, which Lytton would then contribute to MWI, in exchange for equity interests in MWI on the same economic terms offered to other equity investors in MWI. The Lytton Credit Agreement represents the first tranche of up to approximately $451 million in total equity capital being raised by us through MWI, to construct, own and operate the Mojave Groundwater Bank (see Note 3 to the Consolidated Financial Statements – "Long-Term Debt").

We are currently conducting due diligence with private equity investors on potential equity commitments of approximately $400 million to MWI. The goal of these discussions is to fund development of the Mojave Groundwater Bank without additional project equity contributions from us. Although there can be no assurances, we expect that any agreement would let us keep both operating control of MWI and a significant equity interest in it.

If definitive agreements for the up to $400 million in equity capital investments in MWI described above are completed, we currently anticipate contributing to MWI certain of our pipeline infrastructure assets, which may include the Northern Pipeline and the Southern Pipeline right-of-way. The final terms, timing and scope of any such contribution will depend on the terms of those agreements. In addition, Lytton would contribute to MWI its Storage Cash Flows Right, so that the MWI investors would share in the cash flows generated from the constructed facilities, including from the supply agreements and the Storage Cash Flows Right. In consideration of our transfer of assets, we may receive an upfront capital reimbursement payment at closing in addition to an equity interest in MWI, entitling us to share in the long-term cash flows generated by MWI. Additionally, we would seek to retain rights to certain cash flows generated from our water-storage operations that we would not be contributing to MWI.

We will seek available infrastructure grants and/or other financing alternatives such as public debt and infrastructure debt financing. In February 2026 we received an invitation from the U.S. Environmental Protection Agency ("EPA") to apply for up to $194 million under the Water Infrastructure Finance and Innovation Act ("WIFIA") program to support Northern Pipeline conversion costs. This pre-application invitation reserves federal funding for the project while we advance through the underwriting process. In connection with this application, we applied for an indicative investment grade rating from a ratings agency for the proposed debt to be issued under the WIFIA program for the Northern Pipeline project. In October 2026, we received an indicative investment grade rating for the proposed debt, which allows us to continue to advance the application.

In addition to WIFIA, we are evaluating potential revenue bond issuances to fund any remaining construction costs through a financing focused Joint Powers Authority formed in April 2026 by Fenner Gap Mutual Water Company and the County of San Bernardino named San Bernardino Water & Power Authority. Inland Empire Utilities Agency ("IEUA") formally joined the Authority on September 2, 2026. The Authority held its first meeting on October 2, 2026 and elected a Board of Directors.

ATEC

ATEC and our agricultural operations provide our current principal source of revenue, although our operating costs are not fully supported by these operations at this time. We presently rely upon debt and equity financing to support our operating costs, including administrative and public company costs. During the third quarter of 2026, we initiated restructuring actions to improve the profitability of our ATEC subsidiary. We expect to begin realizing the benefits of these actions in the fourth quarter of 2026.

Results of Operations

Three Months Ended September 30, 2026, Compared to Three Months Ended September 30, 2025

We currently operate in two reportable segments. Our largest segment is Land and Water Resources, which comprises all activities regarding our properties in the eastern Mojave Desert, pre-revenue development of the Mojave Groundwater Bank (supply, storage and conveyance), and agricultural operations. Our second operating segment is Water Treatment Technology comprised of ATEC which provides innovative water treatment technology solutions for impaired or contaminated groundwater sources.

We primarily evaluate the performance of our Land and Water Resources segment based upon milestones related to project development and segment operating income (loss). We evaluate the performance of our Water Treatment Technology segment based on segment operating income (loss). Interest expense, income tax expense and gain on derivative liability are excluded from the computation of operating income (loss) for the segments. Segment net revenue, segment operating expenses and segment operating (loss)/income information consisted of the following for the three months ended September 30, 2026 and 2025:

(in thousands)	Three Months Ended September 30, 2026		
	Land and Water Resources	Water Treatment Technology	Total
Revenues:			
Sales revenue	$ 148	$ 1,193	$ 1,341
Services revenue	-	117	117
Rental income	114	-	114
Total revenues	$ 262	$ 1,310	$ 1,572
Costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	461	717	1,178
Cost of sales, service revenue	-	90	90
General and administrative	8,109	1,114	9,223
Depreciation	357	20	377
Total costs and expenses	8,927	1,941	10,868
Operating (loss) income	$ (8,665)	$ (631)	$ (9,296)

(in thousands)	Three Months Ended September 30, 2025		
	Land and Water Resources	Water Treatment Technology	Total
Revenues:			
Sales revenue	$ 3	$ 3,922	$ 3,925
Services revenue	-	112	112
Rental income	112	-	112
Total revenues	$ 115	$ 4,034	$ 4,149
Costs and expenses:			
Cost of sales, sales revenue (exclusive of depreciation shown separately below)	985	1,984	2,969
Cost of sales, service revenue	-	46	46
General and administrative	4,730	996	5,726
Depreciation	295	9	304
Total costs and expenses	6,010	3,035	9,045
Operating (loss) income	$ (5,895)	$ 999	$ (4,896)

We have not received significant revenues from the Mojave Groundwater Bank project to date. Our revenues have been limited primarily to ATEC sales of groundwater filtration systems, sales from our alfalfa plantings, and rental income from our agricultural leases. As a result, we have historically incurred a net loss from operations. We incurred an operating loss of $9.3 million in the three months ended September 30, 2026, compared to a $4.9 million operating loss during the three months ended September 30, 2025. The higher operating loss in 2026 was primarily due to decreased gross profits from ATEC, driven by reduced filter sales and increased legal and consulting fees incurred in advancing the development of the Mojave Groundwater Bank. Net loss for the three months ended September 30, 2026 was $14.3 million compared to a $7.1 million net loss during the three months ended September 30, 2025.

Our primary expenses are our ongoing overhead costs associated with the development of our water supply, storage, and conveyance assets (i.e., general and administrative expenses, outside consultants, legal, lobbyists, engineering and other project related expenses), farming expenses at the Cadiz Ranch, manufacturing operations of ATEC and our interest expense. We will continue to incur non-cash expenses in connection with our management and director equity incentive compensation plan.

Revenues Revenue totaled $1.6 million during the three months ended September 30, 2026 primarily related to ATEC sales totaling $1.3 million, sales from the harvest from our 890 acres of commercial alfalfa crop totaling $0.2 million and rental income from agricultural leases totaling $0.1 million. Revenue totaled $4.1 million during the three months ended September 30, 2025, primarily related to ATEC sales totaling $4.0 million and rental income from agricultural leases totaling $0.1 million. The decrease in ATEC revenues primarily reflects a lower volume of filters shipped in the third quarter of 2026 compared to 2025. Filter revenues in the third quarter of 2025 benefited from an unusually large project for the Central Utah Water Conservancy District's Vineyard Wellfield Groundwater Polishing Project.

Cost of Sales Cost of sales totaled $1.3 million during the three months ended September 30, 2026, comprised of $0.8 million related to ATEC (38.4% gross margin) and $0.5 million related to our alfalfa crop harvest. Cost of sales totaled $3.0 million during the three months ended September 30, 2025, comprised of $2.0 million related to ATEC (49.6% gross margin) and $1.0 million related to our alfalfa crop harvest. The decrease in ATEC gross margin is primarily driven by spreading the fixed costs of manufacturing filters included in cost of sales over a reduced number of filters sold.

General and Administrative Expenses General and administrative expenses during the three months ended September 30, 2026, exclusive of stock-based compensation costs, totaled $6.1 million compared to $5.2 million for the three months ended September 30, 2025. The increase in expenses was primarily due to increased legal and consulting fees incurred in advancing the development of the Mojave Groundwater Bank as well as elevated expenses related to our CFO transition, General and administrative expense for ATEC totaled $1.1 million during the three months ended September 30, 2026 compared with $1.0 million for the same period in 2025. The increase was due in part to time charges related to restructuring activities during the quarter.

Compensation costs for stock and option awards for the three months ended September 30, 2026, were $3.1 million, compared to $0.5 million for the three months ended September 30, 2025. The higher 2026 expense was primarily due to higher stock-based non-cash awards to employees and consultants in 2026 compared to 2025 (see Note 4 to the Condensed Consolidated Financial Statements – "Stock-Based Compensation Plans").

Depreciation Depreciation expense totaled $0.4 million during the three months ended September 30, 2026 compared to $0.3 million during the three months ended September 30, 2025.

Interest Expense, net Net interest expense totaled $3.2 million during the three months ended September 30, 2026, compared to $2.2 million during the same period in 2025. The following table summarizes the components of net interest expense for the two periods (in thousands):

	Three Months Ended September 30,	
	2026	2025
Cash interest on outstanding debt	$ 1,119	$ 383
PIK interest on outstanding debt	762	711
Interest added to lease obligation	869	786
Amortization of debt discount	680	391
Capitalized interest	(211)	-
Finance expense	18	-
Interest income	(52)	(73)
Other income	-	(25)
	$ 3,185	$ 2,173

Increased interest expense is primarily due to borrowings under the Lytton Credit Agreement. Interest income primarily relates to interest on investments in short-term deposits.

Nine Months Ended September 30, 2026, Compared to Nine Months Ended September 30, 2025

Segment net revenue, segment operating expenses and segment operating (loss)/income information consisted of the following for the nine months ended September 30, 2026 and 2025:

	Nine Months Ended September 30, 2026		
(in thousands)	Land and Water Resources	Water Treatment Technology	Total
Revenues:			
Sales revenue	$ 506	$ 2,886	$ 3,392
Services revenue	-	458	458
Rental income	333	-	333
Total revenues	839	3,344	4,183
Costs and expenses:			
Cost of sales, sales revenue (exclusive of depreciation shown separately below)	1,166	2,079	3,245
Cost of sales, services revenue	-	233	233
General and administrative	21,233	3,291	24,524
Depreciation	1,101	46	1,147
Total costs and expenses	23,500	5,649	29,149
Operating (loss) income	$ (22,661)	$ (2,305)	$ (24,966)

(in thousands)	Nine Months Ended September 30, 2025		
	Land and Water Resources	Water Treatment Technology	Total
Revenues:			
Sales revenue	$ 777	$ 9,926	$ 10,703
Services revenue	-	192	192
Rental income	334	-	334
Total revenues	1,111	10,118	11,229
Costs and expenses:			
Cost of sales, sales revenue (exclusive of depreciation shown separately below)	2,098	5,597	7,695
Cost of sales, services revenue	-	63	63
General and administrative	17,877	2,891	20,768
Depreciation	884	25	909
Total costs and expenses	20,859	8,576	29,435
Operating (loss) income	$ (19,748)	$ 1,542	$ (18,206)

We incurred an operating loss of $25.0 million in the nine months ended September 30, 2026, compared to a $18.2 million operating loss during the nine months ended September 30, 2025. The higher operating loss in 2026 was primarily due to decreased gross profits from ATEC driven by reduced filter sales. Net loss for the nine months ended September 30, 2026 was $34.3 million compared to a $24.4 million net loss during the nine months ended September 30, 2025.

Revenues Revenue totaled $4.2 million during the nine months ended September 30, 2026, primarily related to ATEC sales totaling $3.3 million, sales from the harvest from our 890 acres of commercial alfalfa crop totaling $0.5 million and rental income from our agricultural leases totaling $0.3 million. Revenue totaled $11.2 million during the nine months ended September 30, 2025, primarily related to ATEC sales totaling $10.1 million, sales from the harvest from our 890 acres of commercial alfalfa crop totaling $0.8 million and rental income from our agricultural leases totaling $0.3 million. The decrease in ATEC revenues primarily reflects a lower volume of filters shipped in 2026 compared to 2025. Filter revenues in 2025 primarily related to an unusually large project for the Central Utah Water Conservancy District's Vineyard Wellfield Groundwater Polishing Project.

Cost of Sales Cost of sales totaled $3.5 million during the nine months ended September 30, 2026, which comprised of $2.3 million related to ATEC (30.9% gross margin) and $1.2 million related to our alfalfa crop harvest. Cost of sales totaled $7.8 million during the nine months ended September 30, 2025, which comprised of $5.7 million related to ATEC (44.1% gross margin) and $2.1 million related to our alfalfa crop harvest. The decrease in ATEC gross margin is primarily driven by spreading the fixed costs of manufacturing filters included in cost of sales over a reduced number of filters sold.

General and Administrative Expenses General and administrative expenses, exclusive of stock-based compensation costs, totaled $19.1 million in the nine months ended September 30, 2026, compared to $16.9 million in the nine months ended September 30, 2025. The increase in 2026 was primarily a result of increased legal and consulting fees incurred in advancing the development of the Mojave Groundwater Bank. General and administrative expense for ATEC totaled $3.3 million during the nine months ended September 30, 2026 compared with $2.9 million for the same period in 2025. The increase in ATEC costs was primarily related to increased salaries and benefits and marketing expenses.

Compensation costs for stock and option awards for the nine months ended September 30, 2026, were $5.5 million, compared to $3.8 million for the nine months ended September 30, 2025. The higher 2026 expense was primarily due to stock-based non-cash awards to employees and consultants.

Depreciation Depreciation expense totaled $1.1 million during the nine months ended September 30, 2026, compared to $0.9 million during the nine months ended September 30, 2025.

Interest Expense, net Net interest expense totaled $8.5 million during the nine months ended September 30, 2026 compared to $6.2 million during the same period in 2025. The following table summarizes the components of net interest expense for the two periods (in thousands):

	Nine Months Ended September 30,	
	2026	**2025**
Cash interest on outstanding debt	$ 2,774	$ 1,143
PIK interest on outstanding debt	2,224	2,072
Interest added to lease obligation	2,544	2,301
Amortization of debt discount	1,833	1,128
Capitalized Interest	(554)	-
Finance expense	18	-
Interest income	(159)	(300)
Other income	(133)	(163)
	$ 8,547	$ 6,181

Increased interest expense is primarily due to borrowings under the Lytton Credit Agreement. Interest income primarily relates to interest on investments in short-term deposits.

Liquidity and Capital Resources

Current Financing Arrangements

To date, our water, agricultural, and groundwater filtration businesses have not generated enough revenue or gross profit to meet our liquidity needs or fund our operating and development expenditures. As a result, we have historically funded our operations and the development of the Mojave Groundwater Bank primarily through debt financing arrangements and sales of our equity securities. We expect to continue relying on outside financing until our operations generate sufficient cash flow, and we cannot assure you that such financing will be available when needed, on acceptable terms, or at all. For a discussion of risks related to our liquidity and capital resources, see Part I, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2025.

Equity Offerings

On March 7, 2025, we completed the sale and issuance of 5,715,000 shares of our common stock to certain institutional investors in a registered direct offering ("March 2025 Direct Offering"). The shares of common stock were sold at a purchase price of $3.50 per share, for aggregate gross proceeds of approximately $20.0 million and aggregate net proceeds of approximately $18.3 million.

The proceeds from the March 2025 Direct Offering were used for capital and other expenses related to the development and construction of the Mojave Groundwater Bank, operating and development costs, and general corporate purposes.

On October 30, 2026, we completed the sale and issuance of 5,000,000 shares of our common stock to certain institutional investors in a registered direct offering ("October 2026 Direct Offering"). The shares of common stock were sold at a purchase price of $4.20 per share, for aggregate gross proceeds of approximately $21.0 million and aggregate net proceeds of approximately $20.0 million. The proceeds from the October 2026 Direct Offering will be used for capital and other expenses related to the development and construction of the Mojave Groundwater Bank, operating and development costs, and general corporate purposes.

Debt Offerings

In July 2021, we entered into a $50 million new credit agreement ("Credit Agreement") (see Note 3 to the Condensed Consolidated Financial Statements – "Long-Term Debt"). The proceeds of the Credit Agreement, together with the proceeds from a depositary share offering, were used to (a) to repay all our outstanding senior secured debt obligations in the amount of approximately $77.6 million, (b) to deposit approximately $10.2 million into a segregated account, representing an amount sufficient to pre-fund eight quarterly dividend payments on the Series A Preferred Stock underlying depositary shares issued in a depositary share offering, and (c) to pay transaction related expenses. The remaining proceeds were used for operating and development costs and for general corporate purposes.

On February 2, 2023, we entered into a First Amendment to Credit Agreement to amend certain provisions of the Credit Agreement ("First Amended Credit Agreement), Under the First Amended Credit Agreement, the lenders will have a right to convert up to $15 million of outstanding principal, plus any PIK interest and any accrued and unpaid interest (the "Convertible Loan") into shares of our common stock at a conversion price of $4.80 per share (the "Conversion Price"). In addition, prior to the maturity of the Credit Agreement, we have the right to require that the lenders convert the outstanding principal amount, plus any PIK Interest and accrued and unpaid interest, of the Convertible Loan if the following conditions are met: (i) the average VWAP of the Company's common stock on The Nasdaq Stock Market, or such other national securities exchange on which the shares of common stock are listed for trading, over 30 consecutive trading dates exceeds 115% of the then Conversion Price and (ii) there is no event of default under certain provisions of the Credit Agreement.

Under the First Amended Credit Agreement, the maturity date of the Credit Agreement was extended from July 2, 2024 to June 30, 2026.

On March 6, 2024, we entered into a Third Amendment to Credit Agreement and First Amendment to Security Agreement ("Third Amended Credit Agreement") with HHC $ Fund 2012 ("Heerema") (see Note 3 to the Condensed Consolidated Financial Statements – "Long-Term Debt"). Before entering into the Third Amended Credit Agreement, Heerema purchased the outstanding secured non-convertible term loans under the Credit Agreement ("Assignment"). In connection with the Assignment, the existing holders of both the Convertible Loan and non-convertible term loans consented to effectuate the Third Amended Credit Agreement in consideration of a consent fee in the aggregate amount of $479,845 payable in the form of our common stock (valued at $2.89 per share, or 166,036 shares), which was registered pursuant to an effective shelf registration statement on Form S-3 and a prospectus supplement thereunder. The Third Amended Credit Agreement provides, among other things, (a) a new tranche of senior secured convertible terms loans from Heerema in an aggregate principal amount of $20 million, having a maturity date of June 30, 2027 ("New Secured Convertible Debt"); (b) the aggregate principal amount of the secured non-convertible term loans acquired by Heerema has been increased from $20 million to $21.2 million and the applicable repayment fee in respect thereof has been eliminated; (c) the Convertible Loan existing prior to the Third Amended Credit Agreement, in an aggregate principal amount of approximately $16 million plus interest accruing thereon, has become unsecured; and (d) extension of the maturity date for the existing Convertible Loan and non-convertible loans to June 30, 2027. On August 12, 2026, the maturity date of each of these loans was extended to June 30, 2028 (see Note 3 to the Condensed Consolidated Financial Statements – "Long-Term Debt").

The annual interest rate remains unchanged at 7.00%. Interest on $21.2 million of the remaining principal amount will be paid in cash. Interest on the aggregate $36 million principal amount of the New Secured Convertible Debt and existing Convertible Loan is paid in kind on a quarterly basis.

On October 27, 2025, we entered into the Lytton Credit Agreement, pursuant to which Lytton provided the first tranche of capital (the "Tribal Investment") for construction of the Mojave Groundwater Bank. Under the Lytton Credit Agreement, the Company at its election may draw, as an unsecured term loan, up to $51 million in one or more installments beginning on the Effective Date and ending April 30, 2027. The unsecured term loan bears interest at a fixed rate of 8% per annum, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year. Interest may be paid in cash or, upon mutual agreement between us and Lytton, in shares of our common stock determined in accordance with the Lytton Credit Agreement. The Tribal Investment matures on April 30, 2031 ("Initial Maturity Date") which may be extended to April 30, 2036 if any principal amount remains outstanding as of the Initial Maturity Date.

In connection with the Lytton Credit Agreement, the Company agreed to issue shares of its common stock to Lytton as follows:

- upon execution of the Lytton Credit Agreement, a commitment fee of 600,000 shares;
- on each funding date, a funding fee of 25,000 shares per $1 million of principal amount funded; and
- in the event the Tribal Investment is extended beyond the Initial Maturity Date, an extension fee of 800,000 shares.

At any time following the funding of the full $51 million Tribal Investment amount under the Lytton Credit Agreement, at Lytton's election, any outstanding principal and accrued interest of the Tribal Investment may be converted into a contractual right to receive a share of future cash flows from our water-storage rights (the "Storage Cash Flows Right"), which will entitle Lytton to receive 51% of the cash flows generated from our water-storage operations, provided that Lytton contributes the Storage Cash Flows Right to MWI, our special purpose entity formed to construct, own and operate the Mojave Groundwater Bank, in exchange for an ownership interest in MWI alongside other expected equity investors in MWI on the same economic terms.

The proceeds from the Tribal Investment will be used to fund the construction, development, ownership, operation, and other ongoing costs of the Mojave Groundwater Bank, and to reimburse our expenses related thereto. We made an initial draw of $15 million for reimbursement of Mojave Groundwater Bank project expenses and to support development activities in November 2025, a second draw of $15 million in March 2026, a third draw of $10 million in August 2026, and a fourth draw of $11 million in November 2026 (see Note 3 to the Consolidated Financial Statements – "Long-Term Debt").

Limitations on our liquidity and ability to raise capital may adversely affect us. Sufficient liquidity is critical to meet our resource development activities. To the extent additional capital is required, we may increase liquidity through a variety of means, including equity or debt placements, through the lease, sale or other disposition of assets or reductions in operating costs. If additional capital is required, no assurances can be given as to the availability and terms of any new financing.

As we continue to actively pursue our business strategy, additional financing will continue to be required (see "Outlook", below). The covenants in the Credit Agreement, as amended, do not prohibit our use of additional equity financing and allow us to retain 100% of the proceeds of any common equity financing. We do not expect the loan covenants to materially limit our ability to finance our water and agricultural development activities.

Cash Used in Operating Activities. Cash used in operating activities totaled $20.2 million for the nine months ended September 30, 2026 and $12.0 million for the nine months ended September 30, 2025. Cash used in 2026 included a $2.5 million refundable performance and reclamation bond deposited with BLM in connection with the FLPMA ROW Grant, as well as payments for general and administrative expenses related to our water development efforts, agricultural development efforts, and our ATEC business, including working capital needs. The increase also reflected increased cash losses from operations, primarily resulting from reduced ATEC filter sales and corresponding working capital activity.

Cash Used in Investing Activities. Cash used for investing activities for the nine months ended September 30, 2026, was $3.4 million, compared with $11.3 million for the nine months ended September 30, 2025. Cash used in 2026 was primarily related to engineering design costs for the Mojave Groundwater Bank project. Cash used in 2025 was primarily related to securing an exclusive option to purchase up to 180 miles of steel pipeline for $5.0 million, costs to convert three wells to natural gas of $3.5 million, and pipe inspection costs of $1.2 million for the Northern Pipeline.

Cash Provided by Financing Activities. Cash provided by financing activities totaled $20.9 million for the nine months ended September 30, 2026, compared with cash provided by financing activities of $13.0 million for the nine months ended September 30, 2025. Proceeds from the financing activities in the 2026 period primarily related to the second draw of $15 million and the third draw of $10 million under the Lytton Credit Agreement in March 2026 and August 2026, respectively. Proceeds from financing activities for the 2025 period primarily related to the issuance of shares under a direct offering.

Outlook

Short-Term Outlook. We believe that the approximately $20 million in net proceeds from the October 2026 Direct Offering, the $11 million drawn in November 2026 under the Lytton Credit Agreement, and cash on hand provide us with sufficient funds to meet our operating and development costs related to the Mojave Groundwater Bank and our agricultural operations for at least the next twelve months. Our ATEC operations are expected to be funded through operating income from its own operations.

Long-Term Outlook. Over the longer term, we may need to raise additional capital to fund our operating and development costs and capital expenditures (see "Current Financing Arrangements," above). The amount and timing of our operating and development costs will depend largely on the steps we take to entitle and develop our water supply, storage, and conveyance assets, and on other initiatives we may pursue, including energy projects related to the Mojave Groundwater Bank. Our capital expenditures will depend primarily on the progress of the Mojave Groundwater Bank, including the funding of MWI. Our need for additional capital will also be affected by the operating results of our agricultural operations and our ATEC subsidiary; the timing and amount of any reimbursement of development costs we have advanced for the Mojave Groundwater Bank; and the timing and amount of any funds we receive in connection with the anticipated transfer of assets to MWI.

We evaluate our cash requirements, and how best to meet them, on an ongoing basis. We may meet future cash requirements through a variety of means, including issuing equity, equity-linked or debt securities, entering into other financing arrangements, or selling or otherwise disposing of assets. We intend to limit equity issuances to the amounts we consider necessary in order to minimize dilution to our existing stockholders. No assurances can be given, however, that additional financing will be available when needed, on acceptable terms, or at all. Maintaining sufficient liquidity is critical to our ability to continue our resource development activities, and any inability to raise needed capital could require us to delay, scale back, or modify those activities, which could adversely affect our business, financial condition, and results of operations. For a discussion of risks related to our liquidity and capital resources, see Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2025.

Recent Accounting Pronouncements

See Note 1 to the Condensed Consolidated Financial Statements – "Basis of Presentation".

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Reg. 240.12b-2 of the Securities and Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

The Company established disclosure controls and procedures to ensure that material information related to the Company, including its consolidated entities, is accumulated and communicated to senior management, including the Chief Executive Officer (the "Principal Executive Officer") and Chief Financial Officer (the "Principal Financial Officer") and to its Board of Directors. Based on their evaluation as of September 30, 2026, the Company's Principal Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and such information is accumulated and communicated to management, including the principal executive and principal financial officers as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Controls Over Financial Reporting

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified in the Company's internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

As noted under Item 1A, "Risk Factors," in the Company's Annual Report on Form 10-K for the year ended December 31, 2025,third parties may file litigation in state or federal court challenging the approval of an infrastructure project.

On July 28, 2026, two lawsuits were filed in the U.S. District Court for the Central District of California, one by the National Parks Conservation Association and others and one by the Center for Biological Diversity and others, challenging BLM's approval of and seeking to vacate the FLPMA ROW Grant. The FLPMA ROW Grant remains in effect. Neither the Company nor FGMWC is a party to the lawsuits. The United States, represented by the Department of Justice, filed its response in the Center for Biological Diversity case on October 6, 2026, and in the National Parks Conservation Association case on October 9, 2026, denying all of the plaintiffs' substantive claims in both cases.

The cases are not consolidated. A scheduling conference with the judge is set for November 19, 2026, in the Center for Biological Diversity case. A separate scheduling conference with the judge in the National Parks Conservation Association case is set for February 1, 2027. The Company cannot predict the outcome of the lawsuits. If the FLPMA ROW Grant were vacated, the Company would derecognize the related right-of-use asset and lease liability to the extent FGMWC's rights and obligations under the grant ended, and the Northern Pipeline conversion could be delayed.

There have been no other material changes to legal proceedings described in our Annual Report on Form 10-K for the year ended December 31, 2025.

ITEM 1A. Risk Factors

There have been no material changes to the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2025.

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

Not applicable.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

a. Information required under Form 8K.

None

b. Modifications to nomination process.

None.

c. Insider trading arrangements.

During the three months ended September 30, 2026, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. Exhibits

The following exhibits are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q.

**4.1	Amendment No 1 to Common Stock Purchase Warrant
**10.1	Employment Agreement, dated as of July 27, 2026, by and between Cadiz Inc. and Jacinto J. Henandez
**10.2	Separation Agreement, dated as of July 27, 2026, by and between Cadiz Inc. and Stanley E. Speer
**10.3>	Amended Construction Management At-Risk Agreement, dated July 27, 2026, by and between Fener Gap Mutual Water Company and W.M. Lyles Co.
**10.4	Construction Management At-Risk Agreement, dated July 27, 2026, by and between Fenner Gap Mutual Water Company and Mike Bubalo Construction Co., Inc.
**10.5	Fifth Amendment to the Credit Agreement, dated as of August 12, 2026, by and among Cadiz Inc. and Cadiz Real Estate LLC as borrowers, the lenders from time-to-time party thereto, and Alter Domus (US) LLC, as administrative agent
**10.6	Placement Agent Agreement, dated as of October 29, 2026, by and between the Company and Roth Capital Partners, LLC
*31.1	Certification of Susan Kennedy, Chief Executive Officer of Cadiz Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of Jacinto Hernandez, Chief Financial Officer and Secretary of Cadiz Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of Susan Kennedy, Chief Executive Officer of Cadiz Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of Jacinto Hernandez, Chief Financial Officer and Secretary of Cadiz Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
* 101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
* 101.SCH	Inline XBRL Taxonomy Extension Schema Document
* 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
* 101.DEF	Inline XBRL 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)

* Filed concurrently herewith.
** Previously filed.

SIGNATURE

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.

Cadiz Inc.

By:	/s/ Susan Kennedy	November 16, 2026
	Susan Kennedy Chief Executive Officer (Principal Executive Officer)	Date
By:	/s/ Jacinto Hernandez	November 16, 2026
	Jacinto Hernandez Chief Financial Officer and Secretary (Principal Financial Officer)	Date