

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2025
Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ____ to ____

Commission File Number: 001-41526

CASTELLUM, INC.

(Exact Name of Registrant as Specified in Charter)

NEVADA
(STATE OF INCORPORATION)

27-4079982
(I.R.S Employer I.D.)

1934 Old Gallows Road, Suite 350, Vienna, VA 22182
(703) 752-6157
(Address and telephone number of principal executive offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	CTM	NYSE American LLC

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

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

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
	Emerging growth company <input checked="" type="checkbox"/>

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding as of May 8, 2025
Common Stock, par value \$0.0001 per share	86,036,874

CASTELLUM, INC.
FORM 10-Q
For the Quarter Ended March 31, 2025
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Explanatory Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the “Securities Act,” and Section 21E of the Securities Exchange Act of 1934, as amended, or the “Exchange Act,” which statements involve substantial risks and uncertainties. These statements do not relate strictly to historical or current facts. Forward-looking statements involve risks and uncertainties and include statements regarding, among other things, our projected revenue growth and profitability, our growth strategies and opportunity, anticipated trends in our market and our anticipated needs for working capital. They are generally identifiable by use of the words “may,” “will,” “should,” “anticipate,” “estimate,” “plans,” “potential,” “projects,” “continuing,” “ongoing,” “expects,” “management believes,” “we believe,” “we intend,” or the negative of these words or other variations on these words or comparable terminology. In particular, these statements relate to future actions, prospective products and services, market acceptance, future performance or results of current and anticipated products and services, sales efforts, expenses, and the outcome of contingencies such as legal proceedings and financial results.

Examples of forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, our expectations regarding our business strategy, business prospects, operating results, operating expenses, working capital, liquidity, and capital expenditure requirements. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products and services, the cost, terms, and availability of components, pricing levels, the timing and cost of capital expenditures, competitive conditions, and general economic conditions. These statements are based on our management’s expectations, beliefs, and assumptions concerning future events affecting us, which in turn are based on currently available information. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect.

Important factors that could cause actual results to differ materially from the results and events anticipated or implied by such forward-looking statements include, but are not limited to:

- ongoing net income losses and growth trajectory;
- our ability to retain and attract senior management and other employees with suitable experience leading a public company;
- Our ability to attract, retain, and develop highly qualified personnel who possess the necessary security clearances to support the specialized and sensitive nature of our work;
- our ability to raise additional capital on acceptable terms and to service our ongoing debt obligations;
- changes in political, economic, or regulatory conditions generally and in the markets in which we operate, and more specifically, the potential impact of the U.S. DOGE Service Temporary Organization on government spending and terminating contracts for convenience;
- our ongoing relationships with government entities, agencies, and teaming partners;
- overall levels of government spending on defense spending and spending on IT services, significant delays or reductions in appropriations for our programs or U.S. government funding more broadly, including a prolonged continuing resolution, government shutdown, or breach of the debt ceiling, as well as the potential imposition of sequestration in the absence of an approved budget or continuing resolution;
- our ability to win new contracts amidst increased levels of competition in contract bidding process;
- delays due to the appropriation process, change in the procurement process, and audits or cost adjustments to our contracts;
- our inability to receive full amounts authorized, or ongoing lack of funding, for contracts in our backlog;
- potential systems failures, security breaches, or the inability of Company employees to obtain required clearances;

- our ability successfully to execute additional acquisitions and integrate those operations into our ongoing businesses; and
- the effect of ongoing financing efforts and volatility of our common stock share price.

We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all of those risks, nor can we assess the impact of all of those risks on our business or the extent to which any factor may cause actual results to differ materially from those contained in any forward-looking statement. The forward-looking statements in this Quarterly Report on Form 10-Q are based on assumptions management believes are reasonable. However, due to the uncertainties associated with forward-looking statements, you should not place undue reliance on any forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and unless required by law, we expressly disclaim any obligation or undertaking to publicly update any of them in light of new information, future events, or otherwise.

In this Quarterly Report on Form 10-Q, unless the context otherwise requires, all references to the “Company,” “our Company,” “we,” “our,” “us,” and “Castellum,” refer to Castellum, Inc., a Nevada corporation, and its wholly owned subsidiaries.

Part I

Item 1. Unaudited Consolidated Financial Statements

Castellum, Inc. and Subsidiaries Consolidated Balance Sheets (Unaudited)

	March 31, 2025	December 31, 2024
	(unaudited)	
<u>Assets</u>		
Current Assets:		
Cash	\$ 13,289,600	\$ 12,005,048
Restricted Cash	—	250,000
Accounts receivable, net	8,265,177	5,507,384
Contract asset	311,213	270,147
Due from buyer	104,502	36,214
Prepaid income taxes	80,534	154,793
Prepaid expenses and other current assets	600,431	667,592
Total current assets	22,651,457	18,891,178
Fixed assets, net	133,461	156,111
Non-Current Assets:		
Due from buyer, net of current portion	118,747	191,470
Right of use asset - operating lease	1,035,682	1,075,982
Investment in captive insurance entity	52,110	52,110
Intangible assets, net	6,438,213	6,793,750
Goodwill	10,676,834	10,676,834
Total non-current assets	18,455,047	18,946,257
Total Assets	\$ 41,106,504	\$ 37,837,435

Liabilities and Stockholders' Equity

Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,505,596	\$ 1,140,321
Accrued payroll and payroll related expenses	3,286,414	3,398,300
Current portion of lease liability – operating leases	327,347	310,380
Due to seller	240,000	240,000
Obligation to issue common and preferred stock	402,708	402,708
Derivative liability	382,000	883,000
Revolving credit facility	—	1,999,944

Notes payable, related party	400,000	250,000
Current portion of notes payable, net of discount	1,200,000	1,200,000
Total current liabilities	7,744,065	9,824,653
Non-Current Liabilities		
Lease liability – operating leases, net of current portion	725,707	780,756
Due to seller, net of current portion	40,000	100,000
Notes payable, net of current portion	6,500,000	6,800,000
Note payable – related party, net of current portion	—	150,000
Total non-current liabilities	7,265,707	7,830,756
Total Liabilities	\$ 15,009,772	\$ 17,655,409
Stockholders' Equity		
Preferred stock, 50,000,000 shares authorized		
Series A Preferred stock, par value \$0.0001; 10,000,000 shares authorized; 5,875,000 issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	588	588
Series C Preferred stock, par value \$0.0001; 10,000,000 shares authorized; 570,000 and 770,000 issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	57	77
Common stock, par value, \$0.0001, 3,000,000,000 shares authorized, 86,036,874 and 77,076,129 issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	8,604	7,707
Additional paid in capital	81,366,998	74,256,138
Accumulated deficit	(55,279,515)	(54,082,484)
Total stockholders' equity	26,096,732	20,182,026
Total Liabilities and Stockholders' Equity	\$ 41,106,504	\$ 37,837,435

See notes to unaudited consolidated financial statements.

Castellum, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2025	2024
Revenues	\$ 11,664,365	\$ 11,335,053
Cost of Revenues	7,109,749	6,819,632
Gross Profit	4,554,616	4,515,421
Operating Expenses		
Indirect costs	2,385,544	2,490,689
Overhead	512,924	456,620
General and administrative	3,142,155	4,239,334
Total operating expenses	6,040,623	7,186,643
Loss From Operations Before Other Income (Expense)	(1,486,007)	(2,671,222)
Other Income (Expense)		
Loss on extinguishment of debt	—	(822,847)
Gain from change in fair value of derivative liability	501,000	46,400
Interest expense, net of interest income	(110,764)	(530,194)
Total other income (expense)	390,236	(1,306,641)
Loss From Operations Before Income Tax Expense	(1,095,771)	(3,977,863)
Income tax (expense)	(74,276)	(133,859)
Net Loss	(1,170,047)	(4,111,722)
Less: preferred stock dividends	26,984	29,819
Net Loss To Common Shareholders	\$ (1,197,031)	\$ (4,141,541)
Net Loss Per Share - Basic And Diluted	\$ (0.01)	\$ (0.08)
Weighted Average Shares Outstanding - Basic And Diluted	80,953,373	54,792,995

See notes to unaudited consolidated financial statements.

Castellum, Inc. and Subsidiaries
Consolidated Statement of Changes in Stockholders' Equity
(Unaudited)

	Series A Preferred		Series B Preferred		Series C Preferred		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	
Balance - December 31, 2023	5,875,000	\$ 588	—	\$ —	770,000	\$ 77	47,672,427	\$ 4,767	\$ 56,926,161	\$ (43,982,904)	\$ 12,948,689
Stock-based compensation - options	—	—	—	—	—	—	—	—	1,657,822	—	1,657,822
Shares issued to institutional investor	—	—	—	—	—	—	5,357,487	536	755,231	—	755,767
Private warrants issued to institutional investor	—	—	—	—	—	—	—	—	1,081,471	—	1,081,471
Pre-funded warrants issued to institutional investor	—	—	—	—	—	—	—	—	525,905	—	525,905
Net loss for the period	—	—	—	—	—	—	—	—	—	(4,141,541)	(4,141,541)
Balance - March 31, 2024	5,875,000	\$ 588	—	\$ —	770,000	\$ 77	53,029,914	\$ 5,303	\$ 60,946,590	\$ (48,124,445)	\$ 12,828,113
Balance - December 31, 2024	5,875,000	\$ 588	—	\$ —	770,000	\$ 77	77,076,129	\$ 7,707	\$ 74,256,138	\$ (54,082,484)	\$ 20,182,026
Stock-based compensation - options	—	—	—	—	—	—	—	—	1,179,207	—	1,179,207
Stock options exercised	—	—	—	—	—	—	110,028	11	(11)	—	—
Sale of common stock, net of filing fees	—	—	—	—	—	—	4,500,000	450	3,995,478	—	3,995,928
Warrants exercised	—	—	—	—	—	—	4,225,717	423	1,936,178	—	1,936,601
Preferred stock conversion to common stock	—	—	—	—	(200,000)	(20)	125,000	13	8	—	1
Net loss for the period	—	—	—	—	—	—	—	—	—	(1,197,031)	(1,197,031)
Balance - March 31, 2025	5,875,000	\$ 588	—	\$ —	570,000	\$ 57	86,036,874	\$ 8,604	\$ 81,366,998	\$ (55,279,515)	\$ 26,096,732

See notes to unaudited consolidated financial statements.

Castellum, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2025 and 2024
(Unaudited)

	2025	2024
Cash Flow From Operating Activities		
Net loss	\$ (1,170,047)	\$ (4,111,722)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	378,187	597,986
Amortization of discounts, premium and deferred costs	—	1,118,194
Stock-based compensation	1,179,209	1,660,451
Financing fee and bank charges for note payable and advances on revolving credit line	—	77,063
Lease cost	40,300	75,167
Change in fair value of derivative liability	(501,000)	(46,400)
Gain on lease termination	—	(9,224)
Changes in assets and liabilities, net of acquisition		
Accounts receivable	(2,757,793)	(58,298)
Prepaid expenses and other current assets	154,263	34,954
Contract asset (liability)	(41,066)	257,106
Accounts payable and accrued expenses	253,387	498,605
Lease liability	(38,080)	(70,154)
Net cash (used in) provided by operating activities	(2,502,640)	23,728
Cash Flows From Investing Activities		
Sale of subsidiary, cash received from buyer	4,435	—
Net cash provided by in investing activities	4,435	—
Cash Flows From Financing Activities		
Proceeds from revolving credit line	—	827,730
Payment of revolving line of credit	(1,999,944)	—
Payment of debt issuance costs	(12,844)	(6,422)
Proceeds from issuance of common stock, prefunded warrants and regular warrants, net of issuance costs	5,932,529	2,363,143
Preferred stock dividend	(26,984)	(29,819)
Repayment of amounts due to seller	(60,000)	(350,000)
Repayment of convertible note payable - related party	—	(809,617)
Repayment of note payable	(300,000)	(1,599,322)
Net cash provided by financing activities	3,532,757	395,693
Net increase in cash	1,034,552	419,421
Cash - Beginning of Period	12,255,048	1,830,841
Cash - End of Period	\$ 13,289,600	\$ 2,250,262
Supplemental Disclosures		

Cash paid for interest expense	\$ 195,843	\$ 215,690
Cash paid (refund) from income taxes	\$ 3,200	\$ (8,948)

Summary of Non-Cash Activities:

Gain on lease termination	\$ —	\$ 9,224
Derecognition of lease liability	\$ —	\$ 396,388
Derecognition of right of use asset	\$ —	\$ 387,164

See notes to unaudited consolidated financial statements.

Castellum, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2025 and 2024

Note 1: Nature of Operations

Castellum, Inc. (the “Company”) is focused on building a large, successful technology company in the areas of cybersecurity, information technology, electronic warfare, information warfare, and information operations with businesses in the defense, federal civilian, and commercial markets (the “Markets”). Services include intelligence analysis, software development, software engineering, program management, strategic and mission planning, information assurance, cybersecurity and policy support, data analytics, and model based systems engineering (“MBSE”). These services, which largely focus on securing data and establishing related policies, are applicable to customers in the United States (“U.S.”) government, financial services, healthcare, and other users of large data applications. The services can be delivered to legacy, customer owned networks, or customers who rely upon cloud-based infrastructures. The Company works with multiple investment bankers and contacts within its business network to identify potential acquisitions.

Since November 2019, the Company has made the following acquisitions that specialize in the areas noted above:

- Corvus Consulting, LLC (“Corvus”),
- Mainnerv Federal Services, Inc. dba MFSI Government Group (“MFSI”),
- Merrison Technologies, LLC (“Merrison”),
- Specialty Systems, Inc. (“SSI”),
- the business assets of Pax River from The Albers Group (“Pax River”),
- Lexington Solutions Group, LLC (“LSG”), and
- Global Technology and Management Resources, Inc. (“GTMR”).

With the exception of Pax River, all of these acquisitions were considered business combinations under Topic 805 *Business Combinations* of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). See [Note 3](#), “Disposition” for detail on the disposition of MFSI in 2024.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements, including the notes, include the accounts of the Company and its wholly-owned subsidiaries and have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). All intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation for Interim Periods

Certain information and footnote disclosures normally included for the annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted for the interim periods presented. We believe that the unaudited interim financial statements include all adjustments (which are normal and recurring in nature) necessary to present fairly our financial position and the results of operations and cash flows for the periods presented.

The results of operations for the interim periods presented are not necessarily indicative of results that may be expected for the year or future periods. The financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the year ended December 31, 2024 included in our Annual Report on Form 10-K for the year then ended. We have continued to follow the accounting policies set forth in those financial statements.

Business Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. The Company’s CODM, the Chief Executive Officer, reviews consolidated results of operations to make decisions. The Company maintains one operating and reportable segment, which is the delivery of products and services in the areas of information technology, electronic warfare, information warfare and cybersecurity in the governmental and commercial markets.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company accounts for revenue in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). The Company accounts for a contract with a customer that is within the scope of this Topic only when the five steps of revenue recognition under ASC 606 are met. The five core principles will be evaluated for each service provided by the Company and is further supported by applicable guidance in ASC 606 to support the Company's recognition of revenue.

Revenue is derived primarily from services provided to the Federal government. The Company enters into agreements with customers that create enforceable rights and obligations and for which it is probable that the Company will collect the consideration to which it will be entitled as services and solutions are transferred to the customer. The Company also evaluates whether two or more agreements should be accounted for as one single contract.

When determining the total transaction price, the Company identifies both fixed and variable consideration elements within the contract. The Company estimates variable consideration as the most likely amount to which the Company expects to be entitled, limited to the extent that it is probable that a significant reversal will not occur in a subsequent period.

At contract inception, the Company determines whether the goods or services to be provided are to be accounted for as a single performance obligation or as multiple performance obligations. For most contracts, the customers require the Company to perform several tasks in providing an integrated output and, hence, each of these contracts are deemed as having only one performance obligation. When contracts are separated into multiple performance obligations, the Company allocates the total transaction price to each performance obligation based on the estimated relative standalone selling prices of the promised services underlying each performance obligation.

This evaluation requires professional judgment, and it may impact the timing and pattern of revenue recognition. If multiple performance obligations are identified, the Company generally uses the cost plus a margin approach to determine the relative standalone selling price of each performance obligation. The Company does not assess whether a contract contains a significant financing component if the Company expects, at contract inception, that the period between when payment by the client and the transfer of promised services to the client occur will be less than one year.

The Company currently generates its revenue from three different types of contractual arrangements: cost plus fixed fee ("CPFF"), firm-fixed-price ("FFP"), and time-and-materials ("T&M") contracts. The Company generally recognizes revenue over time as control is transferred to the customer, based on the extent of progress towards satisfaction of the performance obligation. The selection of the method used to measure progress requires judgment and is dependent on the contract type and the nature of the goods or services to be provided.

For CPFF contracts, the Company uses input progress measures to derive revenue based on hours worked on contract performance as follows: direct costs plus Defense Contract Audit Agency ("DCAA") approved provisional burdens plus a fee. The provisional indirect rates are adjusted and billed at actual at year end. Revenue from FFP contracts is generally recognized ratably over the contract term, using a time-based measure of progress, even if billing is based on other metrics or milestones, including specific deliverables. FFP contracts require the use of an input method based on estimated costs to complete. For T&M contracts, the Company uses input progress measures to estimate revenue earned based on hours worked on contract performance at negotiated billing rates, plus direct costs and indirect cost burdens associated with materials and the direct expenses incurred in performance of the contract.

These arrangements generally qualify for the "right-to-invoice" practical expedient where revenue is recognized in proportion to billable consideration. FFP level-of-effort contracts are substantially similar to T&M contracts except that the Company is required to deliver a specified level-of-effort over a stated period. For these contracts, the Company estimates revenue earned using contract hours worked at negotiated bill rates as the Company delivers the contractually required manpower.

Revenue generated by contract support service contracts is recognized over time as services are provided, based on the transfer of control. Revenue generated by FFP contracts is recognized over time as performance obligations are satisfied. Most contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact of electing these transition practical expedients.

Revenue generated from contracts with Federal, state, and local governments is recorded over time, rather than at a point in time. Under the contract support services contracts, the Company performs software design work as it is assigned by the customer, and bills the customer, generally semi-monthly, on either a CPFF or T&M basis, as labor hours are expended. Certain other government contracts for software development have specific deliverables and are structured as FFP contracts, which are generally billed as the performance obligations under the contract are met. Revenue recognition under FFP contracts requires judgment to allocate the transaction price to the performance obligations. Contracts may have terms of up to five years.

Contract accounting requires judgment relative to assessing risks and estimating contract revenue, as well as costs and assumptions for schedule and technical issues. Due to the size and nature of contracts, estimates of revenue and costs are subject to a number of variables. For contract change orders, claims, or similar items, judgment is required for estimating the amounts, assessing the potential for realization and determining whether realization is probable. Estimates of total contract revenue and costs are continuously monitored during the term of the contract and are subject to revision as the contract progresses. From time to time, facts develop that require revisions of revenue recognized or cost estimates. To the extent that a revised estimate affects the current or an earlier period, the cumulative effect of the revision is recognized in the period in which the facts requiring the revision become known.

The Company accounts for contract costs in accordance with ASC 340-40, Other Assets and Deferred Costs - Contracts with Customers. The Company recognizes the cost of sales of a contract as an expense when incurred or at the time a performance obligation is satisfied. The Company recognizes an asset from the costs to fulfill a contract only if the costs relate directly to a contract, the costs generate or enhance resources that will be used in satisfying a performance obligation in the future, and the costs are expected to be recovered. The incremental costs of obtaining a contract are capitalized unless the costs would have been incurred regardless of whether the contract was obtained.

The following table disaggregates the Company's revenue by contract type for the three months ended March 31:

	2025	2024
Revenue:		
Time and material	\$ 4,935,016	\$ 6,389,298
Firm fixed price	741,066	749,611
Cost plus fixed fee	5,988,283	4,196,144
Total	\$ 11,664,365	\$ 11,335,053

Accounting for Income Taxes

Income taxes are accounted for under the asset and liability method. We estimate our income taxes in each of the jurisdictions where the Company operates. This process involves estimating our current tax expense or benefit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our Consolidated Balance Sheets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When assessing the realizability of deferred tax assets, we consider if it is more likely than not that some or all of the deferred tax assets will not be realized. In making this assessment, we consider the availability of loss carryforwards, projected reversals of deferred tax liabilities, projected future taxable income, and ongoing prudent and feasible tax planning strategies.

We are subject to income taxes in the Federal and state tax jurisdictions based upon our business operations in those jurisdictions. Significant judgment is required in evaluating uncertain tax positions. We record uncertain tax positions in accordance with ASC 740-10, Income Taxes - Overall, on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) with respect to those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest

amount of tax benefit that is greater than 50% likely to be realized up on ultimate settlement with the related tax authority. Management evaluates its tax positions on a quarterly basis.

The Company files income tax returns in the U.S. Federal tax jurisdiction and various state tax jurisdictions. The Federal and state income tax returns of the Company are subject to examination by the Internal Revenue Service ("IRS") and state taxing authorities, generally for three years after they were filed.

Recent Accounting Pronouncements

In December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). This update requires disaggregated information about a reporting entity's effective tax rate reconciliations as well as information on income taxes paid. This update is effective for annual periods beginning in our fiscal year ending December 31, 2025. Early adoption is permitted. The Company is currently evaluating the impact that this update will have on its financial statement disclosures.

On November 4, 2024, the FASB issued ASU No. 2024-03, Disaggregation of Income Statement Expenses (Subtopic 220-40) ("ASU 2024-03"). ASU 2024-03 requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. ASU 2024-03 will be effective for annual periods beginning January 1, 2027 and interim periods beginning January 1, 2028 and will be applied on a prospective basis with the option to apply the standard retrospectively. The Company is evaluating the disclosure impact of ASU 2023-09; however, it does not expect the standard will have a material impact on the Company's consolidated financial position, results of operations, and/or cash flows.

Other accounting standards updates adopted and/or issued, but not effective until after March 31, 2025, are not expected to have a material effect on the Company's consolidated financial position, annual results of operations, and/or cash flows.

Note 3: Disposition

Since January 1, 2024, the Company has completed the following disposition to achieve its business purposes as discussed in [Note 1](#).

MFSI

On September 11, 2024, the Company entered into a stock purchase agreement with Lead-Risk Millenia, LLC (the "Buyer") for the sale of one of its subsidiaries, MFSI (the "MFSI Divestiture"). The stock purchase agreement, approved by the Board of Directors on September 13, 2024, was for the purchase and sale of 100% of the issued and outstanding stock of MFSI, which became effective on September 16, 2024. The stock purchase agreement required an initial cash payment of \$15,000. Additionally, the Company will receive future consideration equal to 6% of all revenue generated by MFSI until September 30, 2029, or until total payments reach \$705,000, whichever comes first. As part of the MFSI Divestiture, the Company retained all of MFSI's cash deposits and accounts receivable in excess of \$150,000.

Management estimated the present value of future consideration to be received, recognizing short and long term components of a receivable, which we will accrete over time and reassess periodically. An 8.5% discount rate was applied to calculate the present value of the receivable, totaling \$223,249 ("Anticipated Receivable"). The Anticipated Receivable is revalued each quarter. The Company recorded a gain of \$39,234 from the MFSI Divestiture. The balance of the Anticipated Receivable, accounts receivable in excess of \$150,000, and any payments made by the Company on behalf of the Buyer, are reflected in Due from Buyer on the Consolidated Balance Sheets.

After considering qualitative and quantitative aspects of MFSI and its sale relative to the guidance of ASC 205-20, Presentation of Financial Statements - Discontinued Operations, Management concluded MFSI should not be reported or disclosed as a discontinued operation. Further, since MFSI represented less than 5% of the total revenue for the Company, it was deemed immaterial to the Company's financial statements, and as such, pro forma financial statements are not required.

Note 4: Fixed Assets

Fixed assets consisted of the following as of March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
Equipment and software	\$ 261,408	\$ 261,408
Furniture	43,119	43,119
Automobiles	43,928	43,928
Leasehold improvements	192,959	192,959
Total fixed assets	541,414	541,414
Accumulated depreciation	(407,953)	(385,303)
Fixed assets, net	\$ 133,461	\$ 156,111

Depreciation expense for the three months ended March 31, 2025 and March 31, 2024, was \$22,650 and \$41,261, respectively.

Note 5: Intangible Assets and Goodwill

Intangible assets consisted of the following as of March 31, 2025 and December 31, 2024:

		March 31, 2025	December 31, 2024
Customer relationships	4.5– 15 years	\$ 11,613,000	\$ 11,613,000
Tradename	15 years	783,000	783,000
Trademark	10-15 years	533,864	533,864
Backlog	2-5 years	3,210,000	3,210,000
Non-compete agreement	3-5 years	680,000	680,000
		16,819,864	16,819,864
Accumulated amortization		(10,381,651)	(10,026,114)
Intangible assets, net		\$ 6,438,213	\$ 6,793,750

The intangible assets with the exception of the trademarks were recorded as part of the acquisitions of Corvus, MFSI, Merrison, SSI, LSG, and GTMR. Amortization expense for the three months ended March 31, 2025 and March 31, 2024 was \$355,537 and \$556,724, respectively. Upon the MFSI Divestiture as disclosed in [Note 3](#), “Disposition”, the intangible assets of MFSI were removed. The intangible assets are being amortized based on the estimated future lives as noted above.

Future amortization of the intangible assets for the next five years as of March 31 are as follows:

Remainder of the year ending December 31, 2025	\$ 1,066,612
Year ending 2026	1,218,182
Year ending 2027	1,014,558
Year ending 2028	528,784
Year ending 2029	441,568
Year ending 2030 and thereafter	2,168,509
Total	\$ 6,438,213

The activity of goodwill for the three months ended March 31, 2025, is as follows:

	Corvus	SSI	MFSI	Total
December 31, 2024	\$ 1,958,741	\$ 8,718,093	\$ —	\$ 10,676,834
March 31, 2025	\$ 1,958,741	\$ 8,718,093	\$ —	\$ 10,676,834

When the Company acquires a controlling financial interest through a business combination, the Company uses the acquisition method of accounting to allocate the purchase consideration to the assets acquired and liabilities assumed, which are recorded at fair value. Any excess of purchase consideration over the net fair value of the net assets acquired is recognized as goodwill. There were no additions of goodwill for the three months ended March 31, 2025.

Note 6: Notes Payable

Our notes payable consists of the following as of March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
Note payable dated February 22, 2024, maturing August 31, 2026 (a)	\$ 6,000,000	\$ 6,000,000
Promissory note payable (b)	1,700,000	2,000,000
Total Notes Payable	\$ 7,700,000	\$ 8,000,000

- (a) On February 22, 2024, as a result of amending the previous notes, as detailed Part II, Item 8 “Financial Statements and Supplementary Data”, Note 7 “Notes Payable”, of our Annual Report on Form 10-K for the year-ended December 31, 2024, the Company entered into a new note (the “2024 Eisiminger Note”), with a principal balance of \$6,000,000, maturing on August 31, 2026, and bearing interest at 7.5% per annum until February 1, 2025, after which the interest rate will increase to 8% per annum.
- (b) On February 22, 2024, the Company and the Buckhout Charitable Remainder Trust entered into a new note payable in the principal amount of \$2,400,000 (the “Buckhout February 2024 Note”) which matures on August 31, 2026, and accrues interest at a per annum rate of 5% through January 1, 2025, 8% per annum through January 1, 2026, and 12% per annum thereafter. The principal amount will be amortized at the rate of \$100,000 per month, commencing in September 2024 until the final payment is made in August 2026. The terms of the Buckhout February 2024 Note do not permit the principal amount to be converted into common stock.

Interest expense for the three months ended March 31, 2025 and March 31, 2024 was \$153,808 and \$233,510, respectively. Accrued interest on the notes payable as of March 31, 2025 and March 31, 2024 was \$0.

Future principal payments are scheduled to be \$900,000 in 2025, with the remainder being paid off in 2026. Refer to [Note 14](#), “Subsequent Events” for additional information regarding changes to the 2024 Eisiminger Note and the pay off of the Buckhout February 2024 Note.

Note 7: Note Payable – Related Party

The Company entered into a note payable with a related party in August 2021 with balances as of March 31, 2025 and December 31, 2024, as follows:

	March 31, 2025	December 31, 2024
Note payable at 5%, amended to mature in March 31, 2026	\$ 400,000	\$ 400,000

On February 16, 2024, the Company entered into a letter agreement to (i) extend the maturity date from December 31, 2024 to August 1, 2025 and (ii) require subsequent monthly principal payments of \$50,000 for eight months commencing

on the maturity date, with the final payment by March 31, 2026. All other terms of the note payable remain unchanged. As a result, \$400,000 is reflected in current liabilities.

Interest expense for the three months ended March 31, 2025 and 2024, was \$4,932 and \$4,973, respectively.

Note 8: Revolving Credit Facility

On April 4, 2022, the Company secured a \$950,000 revolving credit facility with Live Oak Banking Company ("Live Oak Bank" and the "Revolving Credit Facility"). The Revolving Credit Facility was to mature on March 28, 2029, and draws on it are charged interest at the rate of prime plus 2.75% per annum. Interest is payable monthly. As of December 31, 2023, the Company had \$625,025 outstanding on the Revolving Credit Facility.

On February 22, 2024 the Company entered into a \$4,000,000 revolving credit facility with Live Oak Bank that bears interest at prime plus 2% interest and matures on February 22, 2025 (the "New Live Oak Revolver"). The New Live Oak Revolver replaced the Revolving Credit Facility. The Company rolled over the principal balance outstanding of approximately \$625,000 on the Revolving Credit Facility and was advanced an additional amount of \$904,793. As of December 31, 2024, the total amount outstanding on the New Live Oak Revolver was \$1,999,944.

Effective August 15, 2024, the Company modified the terms of the New Live Oak Revolver with Live Oak Bank. Under the terms of the modified agreement, the Company is required to (i) establish a collateral account with a balance of not less than \$250,000 until such time as the senior debt service covenant is replaced by a total debt service covenant of 1.15:1.00 at which time funds shall be released at lender's sole discretion, (ii) modified the frequency of the reporting of the borrowing base certificate from once a month to twice a month, and (iii) reduced the borrowing capacity from \$4,000,000 to \$2,000,000.

On February 13, 2025, the Company fully repaid the New Live Oak Revolver with Live Oak Bank in the amount of \$1,989,986. Following this payment, the line of credit was closed and the restricted cash was released to the Company's checking account. The Company has no remaining obligations under the New Live Oak Revolver.

Interest expense for the three months ended March 31, 2025 and 2024, was \$28,658 and \$14,402, respectively.

Note 9: Due to Seller

As part of the acquisition of SSI (the "SSI Acquisition"), the Company was obligated to pay an earnout contingent on the results of operations of SSI through August 2023. On February 15, 2024, the Company entered into an agreement with the former shareholders of SSI concerning the amount and timing of the contingent earnout included in total consideration for the SSI Acquisition which closed in August 2021. The parties agreed to settle the amount for a total of \$720,000, with an initial payment of \$180,000 that was made by the Company at signing of the agreement, plus starting in March 2024, monthly payments of \$20,000 plus interest payable at 5% per annum for 27 months. As a result, \$240,000 is recorded as Due to Seller in current liabilities and \$40,000 is reflected in non-current liabilities as of March 31, 2025. Prior to the February 15, 2024 agreement, this earnout was recorded as Contingent Earnout on the Consolidated Balance Sheets.

Note 10: Stockholders' Equity

Preferred Stock

The Company has 50,000,000 shares of preferred stock authorized. The Company has designated a Series A Preferred Stock, Series B Preferred Stock, and a Series C Preferred Stock.

Series A Preferred Stock

The Company has designated 10,000,000 shares of Series A Preferred Stock, par value of \$0.0001. As of March 31, 2025 and December 31, 2024, the Company has 5,875,000 shares of Series A Preferred Stock issued and outstanding, which is convertible into 587,500 shares of the Company's common stock.

For the three months ended March 31, 2025 and 2024, the Company recognized \$18,269 and 18,269, respectively, in Series A dividends, all of which have been paid as of March 31, 2025.

Series B Preferred Stock

The Company has designated 10,000,000 shares of Series B Preferred Stock, par value of \$0.0001. As of March 31, 2025 and December 31, 2024, the Company has 0 shares of Series B Preferred Stock issued and outstanding.

Series C Preferred Stock

The Company has designated 10,000,000 shares of Series C Preferred Stock, par value of \$0.0001. As of March 31, 2025, the Company has 570,000 shares of Series C Preferred Stock issued and outstanding, which is convertible into 356,250 shares of the Company's common stock. As of December 31, 2024, the Company had 770,000 shares of Series C Preferred Stock issued and outstanding.

For the three months ended March 31, 2025, the Company recognized \$8,715 in Series C dividends, all of which have been paid as of March 31, 2025.

Common Stock

The Company has 3,000,000,000 shares of common stock, par value \$0.0001 authorized. The Company has 86,036,874 and 77,076,129 shares issued and outstanding as of March 31, 2025, and December 31, 2024, respectively.

On January 25, 2024, the Company entered into a securities purchase agreement with an institutional investor, pursuant to which the Company agreed to sell and issue, in a registered direct offering, an aggregate of (i) 5,243,967 shares of the Company's common stock, at a purchase price of \$0.32 per share and (ii) 3,193,534 pre-funded warrants (the "Pre-funded Warrant(s)") to purchase up to an aggregate of 3,193,534 shares of common stock for aggregate gross proceeds to the Company of approximately \$2.7 million, before deducting the placement agent fees and estimated offering expenses payable by the Company (the "Registered Offering"). The Pre-funded Warrants were sold at an offering price of \$0.319 per Pre-funded Warrant and are exercisable at a price of \$0.001 per share.

In a concurrent private placement, the Company agreed to issue to the same institutional investor, for each ordinary share and Pre-funded Warrant purchased in the offering, an additional ordinary share purchase warrant ("Regular Warrants"). The Regular Warrants have an exercise price of \$0.35 and were exercisable to purchase an aggregate of 8,437,501 shares of common stock. The Regular Warrants are exercisable for five years. All Pre-funded and Regular Warrants have been exercised as of March 31, 2025.

On January 3, 2025, a member of the Company's Board of Directors, exercised stock options at \$0.212 per share for 110,028 shares of common stock.

In January 2025, two holders of the Company's Series C Preferred Stock, converted 200,000 shares of Series C Preferred Stock into 125,000 shares of common stock at a conversion rate of 0.625 shares of Common Stock per share of Series C Preferred Stock.

On February 12, 2025, an investor exercised an aggregate of 1,080,717 warrants to purchase 1,080,717 shares of the Company's common stock which resulted in proceeds to the Company of \$1. Prior to this exercise, the treatment of these warrants was evaluated under ASC 260-10, Earnings Per Share — Overall. Under this guidance, shares issuable for little or no cash consideration are considered outstanding common shares and are included in the computation of basic earnings per share from the date they are granted. Accordingly, the exercise of these warrants does not impact the Company's earnings per share calculation.

On January 10, 2025, the Company filed a universal shelf registration on Form S-3 (File No. 333-284205), which was declared effective by the SEC on January 24, 2025, pursuant to which the Company may offer and sell up to \$100,000,000 of equity and debt securities.

On March 19, 2025, the Company closed on the public offering (the "Public Offering") of 4,500,000 units ("Unit(s)") at a public offering price of \$1.00 per Unit. Each Unit consisted of one share of common stock and one warrant to purchase one share of common stock (the "2025 Warrants"). The 2025 Warrants are immediately exercisable at \$1.08 per share and will expire 60 days from the date of issuance. The shares of common stock and 2025 Warrants are immediately separable and were issued separately. Gross proceeds from the Public Offering were approximately \$4.5 million before deducting

placement agent fees and offering expenses. Castellum intends to use the net proceeds of the offering for working capital and general corporate purposes.

As of March 31, 2025, 1,145,000 of the 2025 Warrants issued above were exercised at \$1.08 per share, for gross proceeds of \$1.2 million before deducting placement agent fees.

During the three months ended March 31, 2025, the Company recorded an obligation to issue 515,464 restricted shares of common stock, that vest ratably over a period of one year, to its Board of Directors (the "Board") for their service on the Board from January 1, 2024, through June 30, 2024. The total expense booked to record this obligation was \$146,768. The shares were not issued as of March 31, 2025.

During the three months ended March 31, 2025, 8,960,745 shares of common stock were issued.

Warrants

The Pre-funded Warrants were immediately exercisable and did not have an expiration date. As noted above, the Company sold Pre-funded Warrants to purchase up to an aggregate of 3,193,534 shares of common stock at an offering price of \$0.319 per Pre-funded Warrant, which are exercisable at a price of \$0.001 per share. As previously disclosed in the Annual Report on Form 10-K for the year ended December 31, 2024, all Pre-funded Warrants have been exercised.

The Regular Warrants became exercisable on March 20, 2024, upon effectiveness of shareholder approval which was obtained on February 12, 2024. The Regular Warrants would have expired on March 20, 2029, and had an exercise price of \$0.35 per share. 6,437,501 of the Regular Warrants were exercised in 2024. The remaining 2,000,000 warrants were exercised in February of 2025 to purchase 2,000,000 shares of the Company's common stock which resulted in aggregate proceeds to the Company of \$700,000. All warrants held by this investor have now been fully exercised.

On February 12, 2025, an investor exercised an aggregate of 1,080,717 warrants to purchase 1,080,717 shares of the Company's common stock which resulted in proceeds to the Company of \$1. The treatment of these warrants was accessed under ASC 260-10, Earnings Per Share—Overall, where shares issuable for little or no cash consideration shall be considered outstanding common shares and are included in the computation of basic earnings per share since they were originally granted.

Of the 4,500,000 2025 Warrants issued during the public offering in March 2025, 1,145,000 warrants were exercised at \$1.08 per share prior to March 31, 2025. The remaining 3,355,000 warrants will expire on May 19, 2025, if not exercised prior to that time.

The following table represents a summary of warrants for the three months ended March 31, 2025 and the year ended December 31, 2024:

	Three Months Ended March 31, 2025		Year Ended December 31, 2024	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Beginning balance	8,744,698	\$ 1.40	7,444,698	\$ 1.68
Granted	4,500,000	1.08	11,631,035	0.34
Exercised	(4,225,717)	0.46	(10,331,035)	0.41
Ending balance	9,008,981	\$ 1.69	8,744,698	\$ 1.40
Warrants exercisable	9,008,981		8,744,698	
Intrinsic value of warrants	\$ 21,317		\$ 6,661,661	
Weighted Average Remaining Contractual Life (Years)	2.48		3.86	

Options

The Company on November 9, 2021, approved the 2021 Stock Incentive Plan (the "Plan"), that authorized the Company to issue up to 2,500,000 shares of the Company's common stock in the form of restricted stock, stock options, and other stock awards as set forth in the Plan. On November 9, 2023 the Board of Directors approved an amendment to the Plan to increase the aggregate number of shares available for issuance from 2,500,000 to 6,000,000 (the "Amended Plan"), which was approved by the Company's shareholders at its annual meeting on May 29, 2024. As of March, 31, 2025, 5,887,500 stock options have been granted under the Amended Plan.

On March 11, 2025, the Board approved an amendment to the Amended Plan to further increase the aggregate number of shares available for issuance from 6,000,000 to 9,000,000 (the "Second Plan Amendment"). The Second Plan Amendment is subject to the approval of the Company's shareholders at the Company's 2025 annual meeting of shareholders to be held on May 28, 2025.

The following represents a summary of options for the Amended Plan and additional options granted outside of the Amended Plan, for the three months ended March 31, 2025 and the year ended December 31, 2024:

	Number	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Weighted Average Fair Value
Outstanding December 31, 2024	9,515,000	\$ 2.03	3.89	\$ 3.12
Granted	1,855,000	1.07	6.85	1.05
Exercised	(125,000)	0.21	6.23	0.39
Forfeited	(625,000)	0.80		2.00
Outstanding March 31, 2025	10,620,000	\$ 1.96	4.09	\$ 2.80
As of March 31, 2025				
Vested and exercisable	6,661,445	\$ 2.24	4.38	\$ 2.67

During the three months ended March 31, 2025, the Company recognized \$1,179,209 of noncash stock based compensation related to the vesting of service-based stock options. 125,000 options were exercised during the three months ended March 31, 2025.

The fair value of each option is estimated using the Black-Scholes valuation model. Changes to these inputs could produce a significantly higher or lower fair value measurement. The following assumptions were used for the periods as follows:

	Three Months Ended March 31, 2025	Year Ended December 31, 2024
Expected term	7 years	7 years
Expected volatility	164.63% – 169.75%	123.05% – 124.33%
Expected dividend yield	—	—
Risk-free interest rate	4.14% – 4.51%	3.89% - 4.45%

Note 11: Fair Value

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. U.S. GAAP sets forth a three-level fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels are as follows:

Level 1 – defined as observable inputs, such as quoted market prices in active markets.

Level 2 – defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3 – defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

Our financial assets and liabilities subject to the three-level fair value hierarchy consist principally of cash and cash equivalents, accounts receivable, accounts payable, contingent consideration, and derivative liabilities. The estimated fair value of cash and cash equivalents, accounts receivable, and accounts payable approximates their carrying value.

On April 4, 2022, the Company issued common stock, a convertible note, and warrants in a SPA with Crom (respectively, the "2022 Crom Note", the "2022 Crom Warrants, and the "2022 Crom SPA"). The Company had evaluated the conversion option liability in the 2022 Crom Note and the 2022 Crom Warrant to determine proper accounting treatment and determined them to be derivative liabilities ("Derivative Liabilities").

On February 13, 2023, the 2022 Crom SPA was terminated through an induced conversion thereby extinguishing the conversion option liability associated with the 2022 Crom Note; the 2022 Crom Warrants were not affected. Concurrent with the termination of the 2022 Crom SPA, the Company issued common stock, a note payable with Crom ("2023 Note Payable"), and 2023 Crom Warrants in the 2023 Crom SPA ("2023 Crom Warrants"). The Company evaluated the conversion option in the 2023 Note Payable and the 2022 Crom Warrants to determine proper accounting treatment and determined them to be derivative liabilities (also "Derivative Liabilities"). The Derivative Liabilities had and have been accounted for utilizing ASC 815, Derivatives and Hedging. In 2024, the 2023 Note Payable was paid in full, thereby extinguishing the conversion feature, and the 2023 Crom Warrants were exercised. The Derivative Liabilities in the tables below include only the 2022 Crom Warrants. Refer to Note 10, "Stockholders' Equity", for more detail.

The Company recognized a liability for the estimated fair value of the 2022 Crom Warrants. The estimated fair value of the liability was calculated using a binomial pricing model with key input variables by an independent third party, as of the date of issuance, with changes in fair value recorded as gains or losses on revaluation in other income (expense). The Company determined that the significant inputs used to value the 2022 Crom Warrants fall within Level 3 of the fair value hierarchy.

In connection with the MFSI Divestiture, as discussed in [Note 3](#), "Disposition", Management estimated the present value of future consideration to be received, using a probability-weighted analysis to determine the amount of the receivable and applying a discount rate that captures the risks associated with the duration of the consideration. The Company determined that the significant inputs used to value the Anticipated Receivable fall within Level 3 of the fair value hierarchy.

The following tables present the Company's financial instruments that are measured at fair value on a recurring basis:

	Fair Value Measurements at March 31, 2025			
	Level 1	Level 2	Level 3	Total
Anticipated Receivable	\$ —	\$ —	\$ 223,249	\$ 223,249
2022 Crom Warrants	\$ —	\$ —	\$ 382,000	\$ 382,000

**Fair Value Measurements at December
31, 2024**

	Level 1	Level 2	Level 3	Total
Anticipated Receivable	\$ —	\$ —	\$265,739	\$265,739
2022 Crom Warrants	\$ —	\$ —	\$883,000	\$883,000

Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of the 2022 Crom Warrants is estimated using a binomial valuation model. The following assumptions were used for the period as follows:

	March 31, 2025
Expected term - warrants	2.01 years
Stock price as of measurement date	\$ 1.06
Volatility (observed)	149.30%
Incremental discount	5.0 %
Selected volatility – post haircut	128.7%
Risk-free interest rate	3.89%

Note 12: Concentrations

Concentration of Credit Risk. The Company's customer base is concentrated with a relatively small number of customers. The Company does not generally require collateral or other security to support accounts receivable. To reduce credit risk, the Company performs ongoing credit evaluations on its customers' financial condition. The Company establishes allowance for credit losses based upon factors surrounding the credit risk of customers, historical trends, and other information.

For the three months ended March 31, 2025 and 2024, the Company had three customers representing 63% and 54% of revenue earned, respectively. Any customer that represents 10% or greater of total revenue represents a risk. The Company also has three customers that represent 63% and four customers that represent 65% of the total accounts receivable as of March 31, 2025, and December 31, 2024, respectively.

Note 13: Income Taxes

The Company's quarterly provision for income taxes is measured using an estimated annual effective tax rate adjusted for discrete items that occur within the quarter. The effective income tax rate was (6.80)% and (3.40)% for the three months ended March 31, 2025, and 2024, respectively. The decrease in the effective tax for the three months ended March 31, 2025, versus the effective tax rate for the three months ended March 31, 2024 was primarily due to the nondeductible compensation, state taxes and change in valuation allowance.

Note 14: Subsequent Events

On April 17, 2025, the Company entered into an amendment to the letter agreement dated February 24, 2024 with Robert Eisiminger (the "Amended Letter Agreement") pursuant to which Mr. Eisiminger agreed to accept a \$2 million principal payment (the "Principal Payment") from the Company on two notes payable. As a result of the Principal Payment, the principal balance on the note payable with a principal balance of \$400,000 dated February 28, 2022 was reduced to zero, and the principal balance on the 2024 Eisiminger Note was reduced to \$4.0 million. The parties also agreed to extend the maturity date from August 31, 2026 to December 15, 2027 on the 2024 Eisiminger Note, and increase the per annum interest rate from 8.0% to 10.0%. All other terms of the 2024 Eisiminger Note remain unchanged.

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

The following discussion and analysis of our financial condition and results of operations is provided to enhance the understanding of, and should be read together with, our financial statements and related notes included in our Annual Report on Form 10-K for fiscal year 2024 filed with the Securities and Exchange Commission ("SEC") on March 11, 2025 and elsewhere in this Quarterly Report on Form 10-Q, as applicable.

Business Overview

Castellum, Inc. is a technology company focused on leveraging the power of information technology to help solve the nation's most pressing national security challenges. The Company provides clients in the United States ("U.S.") government ("USG"), financial services, healthcare, and other users of large data applications with services which include intelligence analysis, software development, software engineering, program management, strategic and mission planning, information assurance, cybersecurity and policy support, data analytics, and model based systems engineering ("MBSE"). In addition to constantly innovating and enhancing our organic capabilities, Castellum is executing strategic acquisitions of technology companies in the areas of cybersecurity, information technology ("IT"), electronic warfare, information warfare, and information operations with businesses in the defense, federal, civilian, and commercial markets that share our passionate commitment to U.S. national security and have a history of bringing exceptional value to their clients.

Recent Developments

On March 19, 2025, the Company closed on the public offering (the "Public Offering") of 4,500,000 units ("Unit(s)") at a public offering price of \$1.00 per Unit. Each Unit consisted of one share of common stock and one warrant to purchase one share of common stock (the "2025 Warrants"). The 2025 Warrants are immediately exercisable at \$1.08 per share and will expire 60 days from the date of issuance. The shares of common stock and 2025 Warrants are immediately separable and were issued separately. Gross proceeds from the Public Offering were approximately \$4.5 million before deducting placement agent fees and offering expenses. Castellum intends to use the net proceeds of the offering for working capital and general corporate purposes.

As of March 31, 2025, 1,145,000 of the 2025 Warrants issued above were exercised at \$1.08 per share, for gross proceeds of \$1.2 million before deducting placement agent fees.

Business Operations and Trends

We believe that the following trends and developments in the USG services industry and our markets may influence our future results of operations:

- budget deficits and the growing U.S. national debt increasing pressure on the USG to reduce federal spending across all federal agencies together with associated uncertainty about the size and timing of those reductions;
- cost-cutting and efficiency initiatives, current and future budget restrictions, continued implementation of Congressionally mandated automatic spending cuts, and other efforts to reduce USG spending could cause clients to reduce or delay funding for orders for services or invest appropriated funds on a less consistent or rapid basis or not at all, particularly when considering long-term initiatives and in light of current uncertainty around Congressional efforts to craft a long-term agreement on the USG's ability to incur indebtedness in excess of its current limits, and generally in the current political environment, there is a risk that it will not issue task orders in sufficient volume to reach current contract ceilings, alter historical patterns of contract awards, including the typical increase in the award of task orders or completion of other contract actions by the USG in the period before the end of the USG's fiscal year on September 30, delay requests for new proposals and contract awards, rely on short-term extensions and funding of current contracts, or reduce staffing levels and hours of operation;
- government customers consolidation of smaller contract vehicles into larger contract vehicles could result in a lack of opportunity to re-compete for the existing business if the larger contract vehicle is not held by the Company;
- delays in the completion of USG's budget processes for FY 2026, which has in the past and could in the future delay procurement of the products, services, and solutions we provide;
- changes in the relative mix of overall USG spending and areas of spending growth, with lower spending on homeland security, intelligence, defense-related programs as certain overseas operations end, and continued increased spending on cybersecurity, command, control, communications, computers, intelligence, surveillance,

and reconnaissance, advanced analytics, technology integration, and healthcare, including as a result of the presidential and administration transition;

- consolidation of acquisition authority in areas directly related to the core business of the Company could limit access to new business and re-competing for existing business;
- increased inflationary pressure that could impact the cost of doing business and/or reduce customer buying power;
- risks related to a possible recession and volatility or instability of the global financial system, including bank failures and the resulting impact on counterparties and business conditions generally;
- legislative and regulatory changes, or shifts in regulatory priorities as a result of U.S. administration transitions, including limitations on the amount of allowable executive compensation permitted under flexibly priced contracts following implementation of interim rules adopted by federal agencies pursuant to the Bipartisan Budget Act of 2013, which substantially further reduce the amount of allowable executive compensation under these contracts and extend these limitations to a larger segment of our executives and our entire contract base;
- efforts by the USG to address organizational conflicts of interest and related issues and the impact of those efforts on us and our competitors;
- increased audit, review, and general scrutiny by USG agencies of government contractors' performance under USG contracts and compliance with the terms of those contracts and applicable laws;
- the inability of the government to make timely awards on contracts for which the Company has submitted proposals could affect the rate of revenue growth;
- USG agencies awarding contracts on a technically acceptable/lowest cost basis, which could have a negative impact on our ability to win certain contracts;
- increased competition from other government contractors and market entrants seeking to take advantage of certain of the trends identified above, and an industry trend towards consolidation, which may result in the emergence of companies that are better able to compete against us;
- impact of pre-requisite certifications such as cyber maturity model certification, capability maturity model integration and international organization for standards on certain contract opportunities;
- restrictions by the USG on the ability of federal agencies to use lead system integrators, in response to cost, schedule, and performance problems with large defense acquisition programs where contractors were performing the lead system integrator role; and
- increasingly complex requirements and enforcement and reporting landscapes of the Department of Defense including cybersecurity, managing federal health care cost growth, competition, and focus on reforming existing government regulation of various sectors of the economy, such as financial regulation and healthcare.

In the course of conducting our business operations, we are exposed to a variety of risks. Any of the risk factors we described in Part II, Item 1A. on this Quarterly Report on Form 10Q and Part I, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2024 filed on March 11, 2025 have affected or could materially adversely affect our business, prospects, operating results, and financial condition.

Budgetary Environment

The U.S. continues to face an uncertain and evolving political, budgetary, and regulatory environment. In particular, it is difficult to predict the specific course of future defense budgets. Current and future requirements related to the conflicts in Ukraine and the Middle East, threats in the Pacific region and other security priorities, as well as the macroeconomic environment, the national debt, and other domestic priorities, among other things, in the U.S. and globally, will continue to impact our customers' budgets, spending, and priorities. The U.S. political environment may also impact defense budgets and priorities, issues related to the national debt, and government spending broadly and more specifically, the potential impact of the U.S. DOGE Service Temporary Organization ("DOGE") on government spending and terminating contracts for convenience. We anticipate that issues related to budgetary priorities and defense spending levels, the debt ceiling, and the spending caps imposed by the Fiscal Responsibility Act of 2023 ("FRA"), particularly with respect to discretionary spending, will continue to be a subject of considerable debate, with a potentially significant impact on our programs and the Company.

The continuing resolution (“CR”) enacted on December 21, 2024, extended the federal funding at fiscal year 2024 levels through March 14, 2025. On March 15, 2025, the President signed into law the Full-Year Continuing Appropriations and Extensions Act, 2025 (H.R. 1968). This legislation extends government funding at fiscal year 2024 levels through September 30, 2025, thereby averting a government shutdown.

Basis of presentation

We have presented results of operations, including the related discussion and analysis, for the following periods:

- the three months ended March 31, 2025 compared to the three months ended March 31, 2024.

Key Components of Revenue and Expenses

Revenues

Our revenues are primarily derived from services provided to the U.S. Federal, state, and local governments. We currently generate our revenue from three different types of contractual arrangements: Cost Plus Fixed Fee (“CPFF”), Fixed Firm Price (“FFP”), and Time and Materials (“T&M”) contracts. For CPFF contracts, we use input progress measures to derive revenue based on hours worked on contract performance as follows: direct costs plus Defense Contract Audit Agency approved provisional burdens plus fee. The provisional indirect rates are adjusted and billed at actual at year end. Revenue from FFP contracts is generally recognized ratably over the contract term, using a time-based measure of progress, even if billing is based on other metrics or milestones, including specific deliverables. For T&M contracts, we use input progress measures to estimate revenue earned based on hours worked on contract performance at negotiated billing rates, plus direct costs and indirect cost burdens associated with materials and the direct expenses incurred in performance of the contract.

Cost of Revenues

Cost of Revenues include direct costs incurred to provide goods and services related to contracts, specifically labor, contracted labor, materials, and other direct costs, which includes rent, insurance, and software licenses. Cost of Revenues related to contracts is recognized as an expense when incurred or at the time a performance obligation is satisfied.

Gross Profit and Gross Profit Margin

Our gross profit comprises our revenues less our cost of revenues. Gross profit margin is our gross profit divided by our revenues.

Operating Expenses

Our operating expenses include indirect costs, overhead, and general and administrative expenses.

- Indirect costs consist of expenses generally associated with bonuses and fringe benefits, including employee health and medical insurance, 401(k) matching contributions, and payroll taxes.
- Overhead consists of expenses associated with the support of operations or production, including labor for management of contracts, operations, training, supplies, and certain facilities to perform customer work.
- General and administrative expenses consist primarily of corporate and administrative labor expenses, administrative bonuses, legal expenses, information technology (“IT”) expenses, and insurance expenses.

Results of operations

The period to period comparisons of our results of operations have been prepared using the historical periods included in our unaudited consolidated financial statements. The following discussion should be read in conjunction with the unaudited consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q.

Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

	Three Months Ended March 31,		Change	
	2025	2024	Amount	%
Revenues	\$ 11,664,365	\$ 11,335,053	\$ 329,312	3 %
Cost of revenues	7,109,749	6,819,632	290,117	4 %
Gross Profit	4,554,616	4,515,421	39,195	1 %
Operating expenses:				
Indirect costs	2,385,544	2,490,689	(105,145)	(4)%
Overhead	512,924	456,620	56,304	12 %
General and administrative expenses	3,142,155	4,239,334	(1,097,179)	(26)%
Change in fair value of contingent earnout	—	—	—	NM
Total operating expenses	6,040,623	7,186,643	(1,146,020)	(16)%
Loss from operations:	(1,486,007)	(2,671,222)	1,185,215	(44)%
Other (expense), net	390,236	(1,306,641)	1,696,877	(130)%
Loss before income taxes and preferred stock dividends	(1,095,771)	(3,977,863)	2,882,092	(72)%
Income tax benefit (expense)	(74,276)	(133,859)	59,583	(45)%
Preferred stock dividend	26,984	29,819	(2,835)	(10)%
Net loss	\$ (1,197,031)	\$ (4,141,541)	\$ 2,944,510	(71)%

NM - Not Meaningful

Revenue

Total revenue was \$11,664,365 for the three months ended March 31, 2025 as compared to total revenue of \$11,335,053 for the three months ended March 31, 2024. The increase of \$329,312 or 3%, was driven primarily by the award to the Company's subsidiary Global Technology and Management Resources, Inc. of a \$103.3 million, five and one-half year contract for Special Missions Management of On-Site Services in support of the Naval Air Systems Command ("NAVAIR") Program Office 290 ("PMA-290") Special Missions and additional direct labor growth on existing contracts, offset by the sale of the subsidiary Mainnerv Federal Services, Inc. in September 2024.

Cost of revenues

Total cost of revenues was \$7,109,749 for the three months ended March 31, 2025 as compared to total cost of revenues of \$6,819,632 for the three months ended March 31, 2024. The increase of \$290,117, or 4%, is in line with the change in revenue noted above and additional labor and subcontractor costs for the PMA-290 award.

Gross Profit

Total gross profit was \$4,554,616 for the three months ended March 31, 2025 as compared to total gross profit of \$4,515,421 for the three months ended March 31, 2024. The increase of \$39,195, or 1%, was driven primarily by managing labor costs on certain projects.

Operating expenses

Total operating expenses were \$6,040,623 for the three months ended March 31, 2025 as compared to total operating expense of \$7,186,643 for the three months ended March 31, 2024. The decrease of \$1,146,020, or 16%, was primarily driven by a reduction in salaries, achieved through the implementation of strategic cost-saving initiatives and the

enhancement of operational efficiencies across all G&A support departments, and a decrease in noncash stock based compensation granted to certain employees

Other income (expense)

Total other income (expense) was \$390,236 for the three months ended March 31, 2025 as compared to total other (expense) of \$(1,306,641) for the three months ended March 31, 2024. The decrease in (expense) of \$1,696,877 or 130%, was primarily driven by the decrease in expense due to the reduction in the fair value of derivative liability, the decrease in interest expense due to the overall decrease in debt, and the increase in interest income due to the Company's cash balance.

Income tax (expense) benefit

Income tax expense was \$(74,276) for the three months ended March 31, 2025, as compared to an expense \$(133,859) for the three months ended March 31, 2024. The decrease in expense of \$59,583 or 45% was primarily related to the decrease in permanent adjustments and changes in valuation allowance against our net deferred tax assets.

Contract backlog

We define backlog to include the following three components:

- *Funded Backlog* - Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.
- *Unfunded Backlog* - Unfunded backlog represents the revenue value of orders (including optional orders) for services under existing contracts for which funding has not been appropriated or otherwise authorized.
- *Priced Options* - Priced contract options represent 100% of the potential revenue value of all scheduled future contract option periods or orders under existing contracts that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

Our backlog does not include contracts that have been awarded but are currently under protest and also does not include any task orders under indefinite delivery indefinite quantity contracts, except to the extent that task orders have been awarded to us under those contracts.

Contract Backlog

<i>Funded</i>	\$	18,480,276
<i>Unfunded</i>		28,720,493
<i>Priced Options</i>		156,158,301
<i>Total Scheduled Backlog</i>	\$	203,359,070

Total backlog

Our total scheduled backlog consists of remaining performance obligations, certain orders under contracts for which the original period of performance has expired, unexercised option periods, and other unexercised or optional orders. Excluding unscheduled options orders, as of March 31, 2025, the Company had \$203,359,070 of funded, unfunded, and scheduled priced options. We expect to recognize approximately 21.0% of the remaining performance obligations over the next 12 months, and approximately 62.0% over the next 24 months. Including priced options that have been awarded but not yet scheduled of \$13,974,906, our grand total backlog is \$217,333,976. The remainder is expected to be recognized thereafter. As with all government contracts there is no guarantee the customer will have future funding or exercise their contract option in the out-years. Our backlog includes orders under contracts that in some cases extend for several years. Congress generally appropriates funds for our clients on a yearly basis, even though their contracts with us may call for performance that is expected to take a number of years to complete. As a result, contracts typically are only partially funded at any point during their term and all or some of the work to be performed under the contracts may remain unfunded unless and until the U.S. Congress makes subsequent appropriations and the procuring agency allocates funding to the contract.

We cannot predict with any certainty the portion of our backlog that we expect to recognize as revenue in any future period and we cannot guarantee that we will recognize any revenue from our backlog. The primary risks that could affect our ability to recognize such revenue on a timely basis or at all are: program schedule changes, contract modifications, and our ability to assimilate and deploy new consulting staff against funded backlog; cost-cutting initiatives and other efforts to reduce USG spending, which could reduce or delay funding for orders for services; and delayed funding of our contracts due to delays in the completion of the USG's budgeting process and the use of CR's by the USG to fund its operations. The amount of our funded backlog is also subject to change, due to, among other factors: changes in congressional appropriations that reflect changes in USG policies or priorities resulting from various military, political, economic, or international developments; changes in the use of USG contracting vehicles, and the provisions therein used to procure our services and adjustments to the scope of services, or cancellation of contracts by the USG at any time. In our recent experience, none of the following additional risks have had a material negative effect on our ability to realize revenue from our funded backlog: the unilateral right of the USG to cancel multi-year contracts and related orders or to terminate existing contracts for convenience or default; in the case of unfunded backlog, the potential that funding will not be made available; and, in the case of priced options, the risk that our clients will not exercise their options.

In addition, contract backlog includes orders under contracts for which the period of performance has expired, and we may not recognize revenue on the funded backlog that includes such orders due to, among other reasons, the tardy submission of invoices by our subcontractors and the expiration of the relevant appropriated funding in accordance with a predetermined expiration date such as the end of the USG's fiscal year.

We expect to recognize revenue from a substantial portion of funded backlog within the next 24 months. However, given the uncertainties discussed above, we can give no assurance that we will be able to convert our backlog into revenue in any particular period, if at all.

Liquidity and capital resources

Sources

We have historically sourced our liquidity requirements with cash flows from operations, borrowings under our previous credit facilities, and in October, 2022, with an equity issuance through the listing of our common stock on the NYSE American LLC. As of March 31, 2025, we had \$13,289,600 of cash and cash equivalents on hand. During the first quarter of 2025, we undertook the following significant equity and debt transactions that enhanced our liquidity and sources of funds:

- 2,000,000 warrants were exercised in February of 2025 to purchase 2,000,000 shares of the Company's common stock which resulted in aggregate proceeds to the Company of \$700,000.
- On March 19, 2025, the Company closed on the Public Offering of 4,500,000 Units at an offering price of \$1.00 per Unit. Each Unit consisted of one share of common stock and one warrant to purchase one share of common stock. The 2025 Warrants are immediately exercisable at \$1.08 per share and will expire 60 days from the date of issuance. Gross proceeds from the Public Offering were approximately \$4.5 million before deducting placement agent fees and offering expenses.
- As of March 31, 2025, 1,145,000 of the 2025 Warrants issued in the Public Offering were exercised at \$1.08 per share, for gross proceeds of \$1.2 million before deducting placement agent fees.

Uses

Our material cash requirements from known contractual and other obligations primarily relate to payments on our credit facilities. For information related to these cash requirements, refer to [Note 6](#), "Notes Payable", [Note 7](#), "Note Payable - Related Party", and [Note 9](#), "Due to Seller" in this Quarterly Report on Form 10-Q.

Shares of our common stock included in our public float as of May 8, 2025 was 68,021,165 which excludes 17,905,681 shares held by officers, directors, and affiliates.

Cash flows

The following tables present a summary of cash flows from operating, investing, and financing activities for the following comparative periods.

Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

	Three Months Ended March 31, 2025		Change	
	2025	2024	Amount	%
Net cash provided by (used in) operating activities	\$ (2,502,640)	\$ 23,728	\$ (2,526,368)	-10647 %
Net cash provided by investing activities	4,435	—	\$ 4,435	NM
Net cash provided by financing activities	3,532,757	395,693	\$ 3,137,064	793 %
Change in cash	<u>\$ 1,034,552</u>	<u>\$ 419,421</u>	<u>\$ 615,131</u>	147 %

NM - Not Meaningful

Operating activities

Net cash used in operating activities was \$(2,502,640) for the three months ended March 31, 2025, compared to \$23,728 for the three months ended March 31, 2024. This decrease in net cash provided by operating activities was primarily driven by an increase in accounts receivable for the three months ended March 31, 2025.

Investing activities

Net cash provided by investing activities was \$4,435 for the three months ended March 31, 2025, compared to \$0 for the three months ended March 31, 2024. The increase in net cash provided by investing activities was primarily due to the sale of the subsidiary Mainnerv Federal Services, Inc. dba MFSI Government Group.

Financing activities

Net cash provided by financing activities was \$3,532,757, for the three months ended March 31, 2025, compared to \$395,693 provided by financing activities for the three months ended March 31, 2024. The increase in net cash provided by financing activities was primarily due to the proceeds from the issuance of common stock and 2025 Warrants issued in the Public Offering, offset by the pay down of the revolving line of credit.

Critical Accounting Policies and Estimates

A summary of our critical accounting estimates is included in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the year-ended December 31, 2024. There have been no material changes to the critical accounting estimates disclosed in our Annual Report on Form 10-K for the year-ended December 31, 2024.

Principles of Consolidation

Refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the year-ended December 31, 2024. There have been no material changes to our principles of consolidation disclosed in our Annual Report on Form 10-K for the year-ended December 31, 2024.

Recently Issued Accounting Standards

In December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-09, Income Taxes (“Topic 740”): Improvements to Income Tax Disclosures. This update requires disaggregated information about a reporting entity’s effective tax rate reconciliations as well as information on income taxes paid. This update is effective for annual periods beginning in our fiscal year ending December 31, 2025. Early adoption is permitted. We are currently evaluating the impact that this update will have on our financial statement disclosures.

On November 4, 2024, the FASB issued ASU No. 2024-03 Disaggregation of Income Statement Expenses (Subtopic 220-40). ASU 2024-03 requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. ASU 2024-03 will be effective for annual periods beginning January 1, 2027 and interim periods beginning January 1, 2028 and will be applied on a prospective basis with the option to apply the standard retrospectively. We are evaluating the disclosure impact of ASU 2023-09; however, we do not expect the standard will have a material impact on the company's consolidated financial position, results of operations, and/or cash flows.

Other accounting standards updates adopted and/or issued, but not effective until after March 31, 2025, are not expected to have a material effect on the Company's consolidated financial position, annual results of operations, and/or cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. These risks include the following:

Interest rate and market risk

The Company has no debt obligations tied to the Prime Rate or the Secured Overnight Financing Rate as of March 31, 2025.

Effects of inflation

U.S. inflation has begun to moderate after nearing a 40-year high in June 2022. Because costs rise faster than revenues during the early phase of inflation, we may need to give higher than normal raises to employees, start new employees at higher wages and/or have increased cost of employee benefits, but not be able to pass the higher costs through to the government due to competition and government pressures. Therefore, we may be adversely affected (i) with lower gross profit margins; (ii) by losing contracts which are lowest price technically acceptable where another bidder underbids the real rates and then has difficulty staffing the project; and (iii) by having difficulty maintaining our staff at current salaries. Given the long-term nature of the Company's contracts, we may be unable to take sufficient action to mitigate inflationary pressures.

Sustained inflation also can cause the Federal Reserve Board and its Open Market Committee ("Fed") to raise the target for the federal funds rate which normally translates into an increase in most banks' Prime Rate. Because our note with Live Oak Banking Company is a variable interest rate instrument tied to the prime rate, actions by the Fed to increase the federal funds rate will increase our cost of debt and our interest expense thereby increasing our pre-tax loss and net loss. Similarly, a decrease in the federal funds rate will decrease our debt and out interest expense thereby decreasing our pre-tax loss and net loss. Our borrowing costs have recently increased and are expected to increase with future Fed interest rate increases, although the impacts have been and are expected to continue to be immaterial. Our contracts with U.S. Federal, state, and local government customers do not permit us to pass along our increased financing costs. The increases to our borrowing costs have not impacted (and are not expected to impact) our ability to make timely payments.

Item 4. Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our CEO and CFO carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2025. Based upon their evaluation, our CEO and CFO concluded that our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15 (e) under the Exchange Act) were effective as of March 31, 2025.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II

Item 1. Legal Proceedings

As a commercial enterprise and employer, the Company and our subsidiaries are subject to threatened litigation and other legal actions in the ordinary course of business, including employee-related matters, inquiries, and administrative proceedings regarding our employment practices or other matters. Neither our Company nor any of our subsidiaries is a party to any legal proceeding that, individually or in the aggregate, we believe to be uncovered by insurance or otherwise material to our Company as a whole.

Item 1A. Risk Factors

In the course of conducting our business operations, we are exposed to a variety of risks. Any of the risk factors we described in Part I, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2024 filed on March 11, 2025 have affected or could materially adversely affect our business, prospects, operating results, and financial condition. Certain statements in “Risk Factors” are forward-looking statements. See “Explanatory Note Regarding Forward-Looking Statements.”

We have modified the following risk factor to those disclosed in Part I, Item 1A., Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2024:

Risks Related to our Business, Industry and Operations

Our business may suffer if we or our employees are unable to obtain the security clearances or other qualifications needed to perform services for our customers or we are unable to hire qualified personnel who possess the necessary security clearance.

Many of our USG contracts require us to have security clearances and employ personnel with specified levels of education, work experience, and security clearances. Depending on the level of clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees lose or are unable to obtain necessary security clearances, or we are not able to hire employees who possess the necessary security clearance, we may not be able to win new business and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not generate the revenue anticipated from the contract which could cause our results to differ materially and adversely from those anticipated.

We have deleted the following risk factor from those disclosed in Part I, Item 1A., Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2024:

We lack a long-term operating history on which to evaluate our consolidated business and determine if we will be able to execute our business plan, and we can give no assurance that our operations will result in sustained profitability.

We are focused on building a large, successful technology company in the areas of IT, electronic warfare, information warfare, and cybersecurity with businesses in the governmental and commercial markets. Since November 2019, we have executed our business plan and completed seven acquisitions. As a result, we have a limited operating history on a consolidated basis to evaluate our business and prospects. Our business operations are subject to numerous risks, uncertainties, expenses, and difficulties associated with early-stage enterprises. You should consider an investment in our Company in light of these risks, uncertainties, expenses, and difficulties. Such risks include:

- limited operating history at our current scale;
- our ability to raise capital to develop our business and fund our operations;
- our ability to anticipate and adapt to developing markets;
- acceptance by our customers;
- limited marketing experience;
- competition from competitors with substantially greater financial resources and assets; and
- the ability to identify, attract, and retain qualified personnel.

Because we are subject to these risks, and the other risks outlined below, you may have a difficult time evaluating our business and your investment in our Company.

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

(a) Recent Sales of Unregistered Securities.

The Company had no recent sales of unregistered securities.

(b) Use of Proceeds from the Public Offering.

On March 19, 2025, the Company closed on the public offering of 4,500,000 units ("Unit") at a public offering price of \$1.00 per Unit (the "Public Offering"). Each Unit consisted of one share of common stock and one warrant to purchase one share of common stock. The warrants are immediately exercisable at \$1.08 per share and will expire 60 days from the date of issuance. The shares of common stock and warrants are immediately separable and were issued separately.

Gross proceeds from the Public Offering were approximately \$4.5 million before deducting placement agent fees and offering expenses. Castellum intends to use the net proceeds of the Public Offering for working capital and general corporate purposes.

There has been no material change in the planned use of proceeds from the Public Offering as described in our final prospectus dated March 17, 2025 which was filed with the SEC on the same date pursuant to Rule 424(b)(5) of the Securities Act. As of the date of this Quarterly Report on Form 10-Q, we cannot predict with certainty all of the particular uses for the net proceeds, or the amounts that we will actually spend on the uses set forth in the prospectus.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The documents listed in this Exhibit Index of this Quarterly Report on Form 10-Q are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number		Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
2.1	Stock Purchase Agreement dated May 6, 2019, by and among BioNovelus, Inc., Bayberry Acquisition Corp., and all of the stockholders of Bayberry Acquisition Corp.	S-1	333-267249	2.1	September 2, 2022
2.2	First Amendment to Stock Purchase Agreement dated June 2, 2019 by and among BioNovelus, Inc., Bayberry Acquisition Corp., and all the stockholders of Bayberry Acquisition Corp.	S-1	333-267249	2.2	September 2, 2022
2.3	Second Amendment to Stock Purchase Agreement dated June 8, 2019, by and among BioNovelus, Inc., Bayberry Acquisition Corp., and all the stockholders of Bayberry Acquisition Corp.	S-1	333-267249	2.3	September 2, 2022
2.4	Securities Purchase Agreement dated November 21, 2019, by and among BioNovelus, Inc., Corvus Consulting, LLC, and the Buckhout Charitable Remainder Trust	S-1	333-267249	2.4	September 2, 2022
2.5	Agreement and Plan of Merger dated August 12, 2021, by and among Registrant, KC Holdings Company, Inc., Specialty Systems, Inc., and the Stockholders named herein	S-1	333-267249	2.5	September 2, 2022
2.6	Agreement and Plan of Merger dated as of March 22, 2023 by and among Castellum, Inc., GTMR Merger Sub., Inc., Global Technology and Management Resources, Inc. (“GTMR”), the stockholders of GTMR, and James Morton, as the representative of the stockholders	8-K	001-41526	2.1	March 28, 2023
3.1	Amended and Restated Articles of Incorporation of Registrant	S-1	333-267249	3.1	September 2, 2022
3.2	Amended and Restated Bylaws of Registrant	S-1/A	333-267249	3.2	October 4, 2022
3.3	Certificate of Amendment to the Amended and Restated Articles of Incorporation of Registrant	8-K	001-41526	3.1	October 18, 2022
3.4	Certificate of Amendment to the Amended and Restated Articles of Incorporation of Registrant	8-K	001-41526	3.1	April 6, 2023
4.1	Form of Warrant to Purchase Common Stock of Registrant	S-1	333-267249	4.1	September 2, 2022
4.2	Common Stock Purchase Warrant dated April 4, 2022, by and between Registrant and Crom Cortana Fund LLC	S-1	333-267249	4.4	September 2, 2022

4.3	Form of Warrant to Purchase Common Stock of Registrant	8-K	001-41526	4.1	March 18, 2025
10.1	Business Acquisition Agreement dated February 11, 2022, by and between Registrant and Lexington Solutions Group, LLC	S-1	333-267249	10.8	September 2, 2022
10.2+	Registrant's Stock Incentive Plan	S-1	333-267249	10.9	September 2, 2022
10.3+	Form of Stock Option Agreement	S-1	333-267249	10.10	September 2, 2022
10.4+	Employment Agreement dated April 25, 2022, by and between Registrant and David T. Bell	S-1	333-267249	10.14	September 2, 2022
10.5+	Employment Agreement executed on March 22, 2023 by and between James Morton and Castellum, Inc.	8-K	001-41526	10.1	March 28, 2023
10.6+	Form of Restrictive Covenant Agreement, by and among _____, individually, in favor of and for the benefit of Global Technology and Management Resources, Inc. and Castellum, Inc.	8-K	001-41526	10.2	March 28, 2023
10.7+	Employment Agreement dated July 1, 2024 by and between the Registrant and Glen R. Ives	8-K	001-41526	10.1	July 3, 2024
10.8+	Employment Agreement dated July 1, 2024 by and between the Registrant and Jay O. Wright	8-K	001-41526	10.2	July 3, 2024
10.9	Lease Agreement dated January 11, 2018, between LTD Realty Investment, IV, LP, and Specialty Systems, Inc.	S-1	333-267249	10.15	September 2, 2022
10.10	Form of Director Agreement	S-1	333-267249	10.16	September 2, 2022
10.11++	Labor Hour Subcontract Agreement between Corvus Consulting, LLC and CACI, Inc. - Federal	S-1	333-267249	10.17	September 2, 2022
10.12++	Modification dated April 8, 2022 to Purchase Order No. P000096970 between Corvus Consulting, LLC and CACI, Inc.- Federal	S-1	333-267249	10.18	September 2, 2022
10.13++	Contract No. N00178-14D-7931 effective February 14, 2019 between Specialty Systems, Inc. and NAVAIR Aircraft Division Lakehurst	S-1	333-267249	10.19	September 2, 2022
10.14++	Modification No. 1 of Contract No. N6833521C0843 effective November 2, 2021 between Specialty Systems, Inc. and NAVAIR Aircraft Division Lakehurst	S-1	333-267249	10.20	September 2, 2022
10.15++	Time and Material Subcontract Number PO-0018098 dated June 3, 2019 between Perspecta Engineering, Inc. and Corvus Consulting, LLC	S-1	333-267249	10.21	September 2, 2022
10.16++	Modification 13 to Time and Material Subcontract Number PO-0018098 dated May 31, 2022 between Perspecta Engineering, Inc. and Corvus Consulting, Inc.	S-1	333-267249	10.22	September 2, 2022

10.17	Letter Agreement dated February 22, 2024 by and between Registrant and Robert Eisiminger	8-K	001-41526	10.7	February 22, 2024
10.18	Amended and Restated Convertible Promissory Note in the principal amount of \$2,400,000 issued on February 22, 2024 by Registrant, Corvus Consulting, LLC, and The Buckhout Charitable Remainder Trust	8-K	001-41526	10.8	February 22, 2024
10.19	Letter Agreement dated February 22, 2024 by and between Registrant and Emil Kaunitz	8-K	001-41526	10.9	February 22, 2024
10.20++	Contract No. N0017819D7718 effective January 2, 2019 between Global Technology Management Services, Inc. and SeaPort NxG	8-K	001-41526	10.25	March 18, 2025
10.21	Form of Securities Purchase Agreement by and between Registrant and certain investors	8-K	001-41526	10.1	March 18, 2025
10.22	Placement Agency Agreement dated March 16, 2025 by and between Registrant and Maxim Group LLC	8-K	001-41526	10.2	March 18, 2025
10.23	Warrant Agent Agreement dated March 17, 2025 by and between Registrant and Nevada Agency and Transfer Company	8-K	001-41526	10.3	March 18, 2025
10.24+	Amendment dated March 31, 2025 to Employment Agreement dated July 1, 2024 with Jay O. Wright	8-K	001-41526	10.1	April 4, 2025
10.25+	Amendment dated April 3, 2025 to Employment Agreement dated July 1, 2024 with Glen R. Ives	8-K	001-41526	10.2	April 4, 2025
21.1*	List of Subsidiaries				
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13(a)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13(a)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101	The following financial information from Castellum, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2023 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Changes in Stockholders' Equity, and (v) Notes to the Consolidated Financial Statements.				

Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the SEC and not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Exchange Act whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

+ Management contract or compensatory plan.

++ Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because such information is (i) not material and (ii) the type of information the Company treats as confidential. The Company will furnish supplementally an unredacted copy of such exhibit to the SEC or its staff upon its request.

Signatures

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

Date: May 9, 2025

CASTELLUM, INC.

/s/ Glen R. Ives

Glen R. Ives

Chief Executive Officer
(Principal Executive Officer)

/s/ David T. Bell

David T. Bell

Chief Financial Officer
(Principal Financial Officer)

List of Subsidiaries

Subsidiary Name	Castellum, Inc.	State of Organization	Percentage Owned
Corvus Consulting, LLC (“Corvus”)		Virginia	100%
Specialty Systems, Inc. (“SSI”)		New Jersey	100%
Global Technology and Management Resources, Inc. (“GTMR”)		Maryland	100%
CTM JV, LLC		Nevada	1%

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Glen R. Ives, Chief Executive Officer of Castellum, Inc. (the “Company”), certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q for the fiscal period ended March 31, 2025;
 - (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 - (3) Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods represented in this report;
 - (4) The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
 - (5) The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and to the audit committee of the board of directors (or persons fulfilling the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
-

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

May 9, 2025

/s/ Glen R. Ives

Glen R. Ives

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, David T. Bell, Chief Financial Officer of Castellum, Inc. (the “Company”), certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q for the fiscal period ended March 31, 2025;
 - (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 - (3) Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods represented in this report;
 - (4) The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
 - (5) The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and to the audit committee of the board of directors (or persons fulfilling the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
-

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

May 9, 2025

/s/ David T. Bell

David T. Bell
Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q of Castellum, Inc. (the “Company”) for the period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Glen R. Ives, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

May 9, 2025

/s/ Glen R. Ives

Glen R. Ives
Chief Executive Officer

(Principal Executive Officer)

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

In connection with the Quarterly Report on Form 10-Q of Castellum, Inc. (the “Company”) for the period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, David T. Bell, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

May 9, 2025

/s/ David T. Bell

David T. Bell
Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)