

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2026**

OR

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

For the transition period from _____ to _____

Commission File Number: **001-41154**

SIDUS SPACE, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

46-0628183

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

**150 N. Sykes Creek Parkway, Suite 200,
Merritt Island, FL**

(Address of principal executive offices)

32953

(Zip Code)

(321) 450-5633

(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Class A common stock, \$0.0001 par value | SIDU | The Nasdaq Stock Market LLC |

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

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

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <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

Number of Class A and B common shares outstanding as of May 14, 2026 was 80,764,854 and 100,000, respectively.

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SIDUS SPACE, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | March 31, 2026 | December 31, 2025 |
|--|---------------------------|------------------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 27,349,756 | \$ 43,175,996 |
| Accounts receivable | 215,916 | 272,831 |
| Accounts receivable - related parties | 1,254,447 | 1,727,939 |
| Contract asset | 81,241 | 322,773 |
| Contract asset - related party | 119,306 | 209,673 |
| Prepaid and other current assets | 4,137,358 | 4,979,378 |
| Total current assets | 33,158,024 | 50,688,590 |
| Property and equipment, net | 17,260,377 | 14,184,379 |
| Operating lease right-of-use assets | 635,143 | 702,856 |
| Intangible asset | 398,135 | 398,135 |
| Other assets | 141,366 | 116,751 |
| Total Assets | \$ 51,593,045 | \$ 66,090,711 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable and other current liabilities | \$ 3,352,995 | \$ 5,472,464 |
| Accounts payable and accrued interest - related party | 50,240 | 876,007 |
| Contract liability | 161,299 | 186,537 |
| Contract liability - related party | 28,292 | - |
| Asset-based loan liability | - | 8,212,186 |
| Operating lease liability | 280,324 | 273,545 |
| Total current liabilities | 3,873,150 | 15,020,739 |
| Operating lease liability - non-current | 362,510 | 434,695 |
| Total Liabilities | 4,235,660 | 15,455,434 |
| Commitments and contingencies | - | - |
| Stockholders' Equity | | |
| Preferred Stock: 5,000,000 shares authorized; \$0.0001 par value; no shares issued and outstanding | | |
| Series A convertible preferred stock: 2,000 shares authorized; 0 shares issued and outstanding | - | - |
| Common stock: 210,000,000 authorized; \$0.0001 par value | | |
| Class A common stock: 200,000,000 shares authorized; 66,419,851 and 65,324,055 shares issued and outstanding, respectively | 6,642 | 6,532 |
| Class B common stock: 10,000,000 shares authorized; 100,000 shares issued and outstanding | 10 | 10 |
| Additional paid-in capital | 142,389,868 | 140,456,263 |
| Accumulated deficit | (95,039,135) | (89,827,528) |
| Total Stockholders' Equity | 47,357,385 | 50,635,277 |
| Total Liabilities and Stockholders' Equity | \$ 51,593,045 | \$ 66,090,711 |

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

SIDUS SPACE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | Three Months Ended | |
|--|---------------------------|-----------------------|
| | March 31, | |
| | 2026 | 2025 |
| Revenue | \$ 250,155 | \$ 160,704 |
| Revenue - related parties | 109,217 | 77,790 |
| Total - revenue | 359,372 | 238,494 |
| Cost of revenue | 1,409,445 | 1,866,972 |
| Gross loss | (1,050,073) | (1,628,478) |
| Operating expenses | | |
| Selling, general and administrative | 4,419,637 | 4,444,442 |
| Total operating expenses | 4,419,637 | 4,444,442 |
| Net loss from operations | (5,469,710) | (6,072,920) |
| Other income (expense) | | |
| Other income | 81,846 | 100,000 |
| Interest expense | (879) | (75,407) |
| Interest income | 195,613 | 66,345 |
| Asset-based loan expense | (18,477) | (432,645) |
| Total other income (expense) | 258,103 | (341,707) |
| Loss before income taxes | (5,211,607) | (6,414,627) |
| Provision for income taxes | - | - |
| Net loss | (5,211,607) | (6,414,627) |
| Dividend on Series A preferred Stock | - | - |
| Net loss attributed to stockholders | \$ (5,211,607) | \$ (6,414,627) |
| Basic and diluted loss per common share | \$ (0.08) | \$ (0.35) |
| Basic and diluted weighted average number of common shares outstanding | 66,583,190 | 18,228,267 |

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

SIDUS SPACE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

For the Three Months Ended March 31, 2026

| | <u>Class A Common Stock</u> | | <u>Class B Common Stock</u> | | <u>Additional Paid-In Capital</u> | <u>Accumulated Deficit</u> | <u>Total</u> |
|--|-----------------------------|-----------------|-----------------------------|---------------|---|--------------------------------|----------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> | | | |
| Balance - December 31, 2025 | 65,324,055 | \$ 6,532 | 100,000 | \$ 10 | \$ 140,456,263 | \$ (89,827,528) | \$ 50,635,277 |
| Class A common stock issued for exercise of warrants | 1,095,796 | 110 | - | - | 1,718,478 | - | 1,718,588 |
| Vested officers compensation | - | - | - | - | 135,049 | - | 135,049 |
| Stock option expense | - | - | - | - | 80,078 | - | 80,078 |
| Net loss | - | - | - | - | - | (5,211,607) | (5,211,607) |
| Balance - March 31, 2026 | <u>66,419,851</u> | <u>\$ 6,642</u> | <u>100,000</u> | <u>\$ 10</u> | <u>\$ 142,389,868</u> | <u>\$ (95,039,135)</u> | <u>\$ 47,357,385</u> |

For the Three Months Ended March 31, 2025

| | <u>Class A Common Stock</u> | | <u>Class B Common Stock</u> | | <u>Additional Paid-In Capital</u> | <u>Accumulated Deficit</u> | <u>Total</u> |
|--|-----------------------------|-----------------|-----------------------------|---------------|---|--------------------------------|----------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> | | | |
| Balance - December 31, 2024 | 15,956,816 | \$ 1,597 | 100,000 | \$ 10 | \$ 83,887,682 | \$ (60,353,224) | \$ 23,536,065 |
| Class A common stock issued for exercise of warrants | 2,231,134 | 223 | - | - | 2,381,024 | - | 2,381,247 |
| Vested officers compensation | 16,533 | 1 | - | - | 115,791 | - | 115,792 |
| Stock option expense | - | - | - | - | 136,452 | - | 136,452 |
| Net loss | - | - | - | - | - | (6,414,627) | (6,414,627) |
| Balance - March 31, 2025 | <u>18,204,483</u> | <u>\$ 1,821</u> | <u>100,000</u> | <u>\$ 10</u> | <u>\$ 86,520,949</u> | <u>\$ (66,767,851)</u> | <u>\$ 19,754,929</u> |

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

SIDUS SPACE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | Three Months Ended | |
|---|---------------------------|----------------|
| | March 31, | |
| | 2026 | 2025 |
| Cash Flows From Operating Activities: | | |
| Net loss | \$ (5,211,607) | \$ (6,414,627) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock based compensation | 215,127 | 252,244 |
| Depreciation and amortization | 611,606 | 934,673 |
| Non-cash fees on asset-based loan | - | 20,243 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 56,915 | 366,047 |
| Accounts receivable - related party | 473,492 | (6,566) |
| Inventory | - | 112,744 |
| Contract asset | 241,532 | 9,332 |
| Contract asset - related party | 90,367 | - |
| Prepaid expenses and other assets | 817,405 | 1,258,675 |
| Accounts payable and accrued liabilities | (2,119,469) | 255,041 |
| Accounts payable and accrued liabilities - related party | (825,767) | 21,172 |
| Contract liability | (25,238) | (16,192) |
| Contract liability - related party | 28,292 | - |
| Changes in operating lease assets and liabilities | 2,307 | 1 |
| Net Cash used in Operating Activities | (5,645,038) | (3,207,213) |
| Cash Flows From Investing Activities: | | |
| Purchase of property and equipment | (3,687,604) | (2,978,308) |
| Net Cash used in Investing Activities | (3,687,604) | (2,978,308) |
| Cash Flows From Financing Activities: | | |
| Proceeds from issuance of common stock units | - | 2,381,247 |
| Proceeds from exercise of warrants | 1,718,588 | - |
| Proceeds from asset-based loan agreement | - | 3,289,744 |
| Repayment of asset-based loan agreement | (8,212,186) | (417,981) |
| Repayment of notes payable | - | (3,059,767) |
| Net Cash provided by (used in) Financing Activities | (6,493,598) | 2,193,243 |
| Net change in cash | (15,826,240) | (3,992,278) |
| Cash, beginning of period | 43,175,996 | 15,703,579 |
| Cash, end of period | \$ 27,349,756 | \$ 11,711,301 |
| Supplemental cash flow information | | |
| Cash paid for interest | \$ 28,626 | \$ 5,462 |
| Cash paid for taxes | \$ - | \$ - |

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

SIDUS SPACE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026

Note 1. Organization and Description of Business

Organization

Sidus Space Inc. (“Sidus”, “we”, “us” or the “Company”), was formed as Craig Technologies Aerospace Solutions, LLC, in the state of Florida, on July 17, 2012. On April 16, 2021, the Company filed a Certificate of Conversion to register and incorporate with the state of Delaware and on August 13, 2021 changed the company name to Sidus Space, Inc.

Description of Business

Founded in 2012, Sidus Space is an innovative, space and defense technology provider offering flexible, cost-effective solutions, including satellite manufacturing and technology integration, AI-driven space-based data solutions, mission planning and management operations, AI/ML products and services, and space and defense hardware manufacturing. With its mission of Space Access Reimagined®, Sidus Space is committed to rapid innovation, adaptable and cost-effective solutions, and the optimization of space system and data collection performance.

We offer customers a variety of mission options whether the ability to host a technology, procure a satellite bus, or simply purchase data as a service. Our flight proven modular satellite, LizzieSat® is a hybrid 3D printed, multi-sensor, multi-mission satellite, which is the first of its kind, offering a flexible, cost-effective platform that can be easily adapted to integrate new technologies or customized and scaled to create a new satellite design to meet mission requirements.

Our products and services are offered through several verticals: Satellite Design and Manufacturing; Technology Design and Integration; Space-based Data Solutions; Mission Planning and Management Operations; AI/ML Products and Services; and Space and Defense Hardware.

Our vertically integrated model with complementary lines of business enables us to unlock new potential revenue generating opportunities while maintaining diversity of revenue. We are not dependent on a single line of business or customer, which provides us the “optionality” to scale where market needs demand. This diversity mitigates risks associated with external factors like macroeconomic shifts or technological disruptions. Our flexibility allows us to adapt swiftly to market changes, supporting growth across all our business lines.

Through our Sidus Orlaith™ AI ecosystem, we enable near real-time on-orbit & terrestrial data processing, enhancing the speed and efficiency of data delivery from sensors. Orlaith™ offers high-performance on-orbit edge computing and data processing from diverse sensor sets leveraging Sidus’ proprietary FeatherEdge™ hardware and Cielo™ software. Orlaith’s systemic capabilities provide industry-leading and differentiated data delivery for a wide range of end uses. Orlaith’s data processing can also be seamlessly customized for new and/or esoteric missions.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The Company prepares its financial statements in accordance with rules and regulations of the Securities and Exchange Commission (“SEC”) and GAAP in the United States of America. The accompanying interim financial statements have been prepared in accordance with GAAP for interim financial information in accordance with Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the Company’s opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2026, are not necessarily indicative of the results for the full year. While management of the Company believes that the disclosures presented herein are adequate and not misleading, these interim financial statements should be read in conjunction with the audited financial statements and the footnotes thereto for the year ended December 31, 2025, contained in the Company’s Form 10-K filed on April 1, 2026.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Principles of Consolidation

The consolidated financial statements include the variable interest entity (“VIE”), Aurea Alas Limited (“Aurea”), of which we are the primary beneficiary. Aurea is a Limited company organized in the Isle of Man, which entered into a license agreement with a third-party vendor, whereby Aurea licensed the rights to use certain available radio frequency spectrum for satellite communications. All intercompany transactions and balances have been eliminated on consolidation.

For entities determined to be VIEs, an evaluation is required to determine whether the Company is the primary beneficiary. The Company evaluates its economic interests in the entity specifically determining if the Company has both the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance (“the power”) and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE (“the benefits”). When making a determination on whether the benefits received from an entity are significant, the Company considers the total economics of the entity and analyzes whether the Company’s share of the economics is significant. The Company utilizes qualitative factors, and, where applicable, quantitative factors, while performing the analysis.

Use of Estimates

The preparation of financial statements in conformity with 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 expenses during the reporting period. Some of these judgments can be subjective and complex, and, consequently, actual results may differ from these estimates. Examples of estimates and assumptions include: for revenue recognition, determining the nature and timing of satisfaction of performance obligations, the fair value of and/or potential Satellite impairment of property and equipment; product life cycles; useful lives of our property and equipment; allowances for doubtful accounts; fair value calculation of warrant; and the potential outcome of uncertain tax positions that have been recognized in our consolidated financial statements or tax returns.

Cash and Cash Equivalents

For purposes of balance sheet presentation and reporting of cash flows, the Company considers all unrestricted demand deposits, money market funds and highly liquid debt instruments with an original maturity of less than 90 days to be cash and cash equivalents. The Company had no cash equivalents as of March 31, 2026 and December 31, 2025.

Periodically, the Company may carry cash balances at financial institutions more than the federally insured limit of \$250,000 per institution. The amount in excess of the FDIC insurance as of March 31, 2026, was \$26.7 million. The Company has not experienced losses on these accounts and management believes, based upon the quality of the financial institutions, that the credit risk with regard to these deposits is not significant. The Company has also mitigated some of the risk through the use of a premium savings account. This account is used for amounts that are over a set balance maintained in the Company’s general operating account. Balances in the premium savings account are insured up to \$150 million.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which the Company has an unconditional right to receive plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. The Company sells certain accounts receivable with recourse in order to accelerate the receipt of cash.

Bad Debt and Allowance for Doubtful Accounts

Historically the Company has been able to collect all past due amounts and has not written off past due invoices, therefore there is limited historical data on the company's historical losses or expected losses at this time. In compliance with GAAP the Company has determined the following policy will be followed regarding outstanding customer invoices.

An allowance for doubtful accounts has been established to reflect the anticipated uncollectible value of the related receivable account. Review procedures have been established to provide a realistic reserve based on past collection experience and anticipated losses on the receivables.

The company will utilize the allowance method based on accounts receivable aging in order to accrue bad debt expense and the contra balance sheet account, allowance for doubtful accounts. The accounts receivable aging will be reviewed quarterly and necessary adjustments made to the allowance for doubtful accounts account balance. The Company will review their policy annually to determine if adjustments should be made based on more recent accounts receivable trends.

During the three months ended March 31, 2026 and 2025, the Company did not record bad debt. The Company's allowance for doubtful accounts balance as of March 31, 2026 and December 31, 2025 was \$0.

Contract Assets and Contract Liabilities

The amounts included within contract assets and contract liabilities are related to the Company's long-term construction contracts. The Company accounts for the majority of its fixed price or time-and-materials contracts as performance obligations satisfied over time, due to the Company's enforceable right to collect based on services provided through any applicable date of termination. Amounts recognized as revenue over time due to this, but in which the Company does not yet have the right to invoice for due to contractual arrangements are reflected as contract assets until such time as they are invoiced, and the Company has the right to receive payment. Retainage for which the company has an unconditional right to payment that is only subject to the passage of time is classified as contracts receivable. Retainage subject to conditions other than the passage of time are included in contract assets and contract liabilities on a net basis at the individual contract level. Contract assets represent revenue recognized in excess of amounts paid or payable (contracts receivable) to the company on uncompleted contracts. Contract liabilities represent the company's obligation to perform on uncompleted contracts with customers for which the company has received payment or for which contracts receivable are outstanding.

Property and Equipment

Property and equipment, consisting mostly of plant and machinery, software, satellites and related software, motor vehicles and computer equipment, is recorded at cost reduced by accumulated depreciation and impairment, if any. Construction in progress generally involves short-term capital projects and is not depreciated until the development has reached completion and the asset has been put into service. Depreciation expense is recognized over the assets' estimated useful lives of three to ten years using the straight-line method. Major additions and improvements are capitalized as additions to the property and equipment accounts, while replacements, maintenance and repairs that do not improve or extend the life of the respective assets, are expensed as incurred. Estimated useful lives are periodically reviewed and, when appropriate, changes are made prospectively. When certain events or changes in operating conditions occur, asset lives may be adjusted and an impairment assessment may be performed on the recoverability of the carrying amounts.

The Company evaluates its software assets to determine the appropriate capitalization treatment based on intended use. Software developed or obtained for internal use is capitalized in accordance with ASC 350-40, including costs incurred during the application development stage such as coding and testing. Costs incurred during the preliminary project and post-implementation stages are expensed as incurred. Software developed for sale or license to external customers is capitalized in accordance with ASC 985-20 once technological feasibility has been established, with amortization based on the ratio of current revenues to total projected revenues, or on a straight-line basis over the estimated useful life, whichever is greater. Capitalized internal-use software costs are amortized on a straight-line basis over the estimated useful life, generally three to five years.

Long-Lived Assets

Long-lived assets are evaluated to verify no changed to status of LS-2 indicating impairment that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted future cash flows to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value.

Intangible Assets

Intangible assets with an indefinite life are not amortized and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

Intangible assets with finite lives are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives of the respective assets.

Acquired intangible assets from business combinations are recognized and measured at fair value at the time of acquisition. The identifiable intangible asset recognized in the Company's acquisitions is a customer list, which will be tested for impairment annually.

Fair Value Measurements

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value. The three tiers are defined as follows:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2—Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

The Company's financial instruments, including cash, accounts receivable, prepaid expense and other current assets, accounts payable and accrued liabilities, and loans payable, are carried at historical cost. As of March 31, 2026 and December 31, 2025, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

Revenue Recognition

The Company adopted ASC 606 – Revenue from Contracts with Customers using the modified retrospective transition approach. The core principle of ASC 606 is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for exchange of those goods or services. The Company's updated accounting policies and related disclosures are set forth below, including the disclosure for disaggregated revenue. The impact of adopting ASC 606 was not material to the Consolidated Financial Statements.

Revenue from the Company is recognized under Topic 606 in a manner that reasonably reflects the delivery of its services and products to customers in return for expected consideration and includes the following elements:

- executed contracts with the Company’s customers that it believes are legally enforceable;
- identification of performance obligations in the respective contract;
- determination of the transaction price for each performance obligation in the respective contract;
- allocation of the transaction price to each performance obligation; and
- recognition of revenue only when the Company satisfies each performance obligation.

These five elements, as applied to each of the Company’s revenue categories (fixed price, time-and-materials, and milestone-based), are summarized below:

Revenues from fixed price manufacturing related contracts that are still in progress at month end are recognized on the percentage-of-completion method, measured by the percentage of total costs incurred to date to the estimated total costs for each contract. This method is used because management considers total costs to be the best available measure of progress on these contracts. Revenue from fixed price contracts and time-and-materials contracts that are completed in the month the work has started are recognized when the work is shipped. To achieve this core principle, we apply the following five steps: identify the contract with the client, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to performance obligations in the contract and recognize revenues when or as the Company satisfies a performance obligation.

Revenues from fixed price service contracts that contain provisions for milestone payments primarily related to satellite technology-related contracts are recognized at the time of the milestone being met. This method is used because management delivers an identifiable product or service to the customer. Additionally, if the customer terminates the contract, the Company is entitled to retain any progress payments received from the customer and the Company has no further rights to compensation from the customer. Even though the payments made by the customer are nonrefundable, the cumulative amount of those payments is not expected, at all times throughout the contract, to at least correspond to the amount that would be necessary to compensate the Company for performance completed to date. Accordingly, the Company accounts for the progress under the contract as a performance obligation satisfied at a point in time. To achieve this core principle, we apply the following five steps: identify the contract with the client, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to performance obligations in the contract and recognize revenues when or as the Company satisfies a performance obligation.

The Company accounts for the majority of its fixed price or time-and-materials contracts (contracts billed based on actual labor hours and materials costs incurred) as performance obligations satisfied over time, due to the Company’s enforceable right to collect based on services provided through any applicable date of termination. Amounts recognized as revenue over time due to this, but in which the Company does not yet have the right to invoice for due to contractual arrangements are reflected as contract assets until such time as they are invoiced, and the Company has the right to receive payment.

The Company’s revenues were primarily derived from manufacturing, engineering services, AI-related products and services, and space-related products and services including technology hosting. For the three months ended March 31, 2026 and 2025, revenue across these sources was as follows:

| | March 31, 2026 | March 31, 2025 |
|--|-------------------|-------------------|
| Manufacturing | \$ 220,933 | \$ 235,017 |
| Engineering Services | 500 | 3,477 |
| AI-related Products and Services | 7,167 | - |
| Space-related Products and Services Including Technology Hosting | 130,772 | - |
| Total | \$ 359,372 | \$ 238,494 |

Cost of revenue

Costs are recognized when incurred. Cost of revenue consists of direct labor, subcontract, materials, depreciation on machinery and equipment including satellites, and other direct costs.

Stock Based Compensation

The Company accounts for stock-based compensation awards in accordance with ASC Topic 718, “Compensation – Stock Compensation.” The cost of services received from employees and non-employees in exchange for awards of equity instruments is recognized in the consolidated statements of operations based on the estimated fair value of those awards on the grant date and amortized on a straight-line basis over the requisite service period or vesting period. The Company records forfeitures as they occur.

Share-based payments are valued using a Black-Scholes option pricing model. The grants are amortized on a straight-line basis over the requisite service periods, which is generally the vesting period. If an award is granted, but vesting does not occur, any previously recognized compensation cost is reversed in the period related to the termination of service.

The expected option term is computed using the “simplified” method as permitted under the provisions of ASC 718-10-S99. The Company uses the simplified method to calculate expected term of share options and similar instruments as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The share price as of the grant date was determined by current market prices for our common stock. Expected volatility is based on the historical stock price volatility of comparable companies’ common stock, as our stock does not have sufficient historical trading activity. Risk free interest rates were obtained from U.S. Treasury rates for the applicable periods.

Net Income (Loss) Per Share of Common Stock

The Company has adopted ASC Topic 260, “Earnings per Share” which requires presentation of basic earnings per share on the face of the statements of operations for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic earnings per share computation. In the accompanying financial statements, basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock and potentially dilutive outstanding shares of common stock during the period to reflect the potential dilution that could occur from common stock issuable through contingent share arrangements, stock options and warrants unless the result would be antidilutive.

The dilutive effect of share-based payment awards is calculated using the “treasury stock method,” which assumes that the “proceeds” from the exercise of these instruments are used to purchase common shares at the average market price for the period. The dilutive effect of convertible securities is calculated using the “if-converted method.” Under the if-converted method, securities are assumed to be converted at the beginning of the period, and the resulting shares of common stock are included in the denominator of the diluted calculation for the entire period being presented.

For the three months ended March 31, 2026 and 2025, the following common stock equivalents were excluded from the computation of diluted net loss per share as the result of the computation was anti-dilutive.

| | March 31, 2026 | March 31, 2025 |
|------------------------------|-------------------|-------------------|
| | (Shares) | (Shares) |
| Warrants | 3,815,484 | 3,171,172 |
| Stock Option | 261,667 | 329,752 |
| Restricted Stock Units (RSU) | 314,526 | - |

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, operating lease liabilities - current, and operating lease liabilities - noncurrent on the balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Leases with a lease term of 12 months or less at inception are not recorded on our balance sheet and are expensed on a straight-line basis over the lease term in our statement of operations.

Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in FASB ASC 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and Hedging ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own ordinary shares and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations. The fair value of the warrants was estimated using a Black-Scholes pricing model.

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, requiring public entities to disclose additional information about specific expense categories in the notes to the financial statements on an interim and annual basis. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and for interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2024-03.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements, which clarifies the guidance in Topic 270 to improve the consistency of interim financial reporting. The ASU provides a comprehensive list of required interim disclosures and introduces a disclosure principle requiring entities to disclose events since the end of the last annual reporting period that have a material impact on the entity. ASU 2025-11 is effective for fiscal years beginning after December 15, 2027, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2025-11.

In December 2025, the FASB issued ASU No. 2025-12, Codification Improvements. The ASU addresses thirty-three items, representing the changes to the Codification that (1) clarify, (2) correct errors, or (3) make minor improvements. Generally, the amendments in this Update are not intended to result in significant changes for most entities. The ASU is effective for interim reporting periods within annual reporting periods beginning after December 15, 2026. The adoption method of this ASU may vary, on an issue-by-issue basis. Early adoption is permitted. We are currently evaluating the provisions of this ASU and do not expect this ASU to have a material impact on our consolidated financial statements.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its financial statements.

Note 3. Variable Interest Entity

The consolidated financial statements include Aurea Alas Limited, which is a variable interest entity of which we are the primary beneficiary, and on August 26, 2020, the Company entered into a licensing agreement with Aurea. Aurea is a Limited company organized in the Isle of Man, which entered into a license agreement with a third-party vendor, whereby they licensed the rights to use certain available radio frequency spectrum for satellite communications. The Company is responsible for 100% of the operations of Aurea and derives 100% of the net profits or losses derived from the business operations. The assets, liabilities and the operations of Aurea from the date of inception (July 20, 2020), were included in the Company's consolidated financial statements.

Through a declaration of trust, 100% of the voting rights of Aurea's shareholders have been transferred to the Company so that the Company has effective control over Aurea and has the power to direct the activities of Aurea that most significantly impact its economic performance. There are no restrictions on the consolidated VIE's assets and on the settlement of its liabilities and all carrying amounts of VIE's assets and liabilities are consolidated with the Company's financial statements.

If facts and circumstances change such that the conclusion to consolidate the VIE has changed, the Company shall disclose the primary factors that caused the change and the effect on the Company's financial statements in the periods when the change occurs.

As of March 31, 2026 and December 31, 2025, Aurea's assets and liabilities are as follows:

| | March 31, 2026 | December 31, 2025 |
|--|-------------------|----------------------|
| Assets | | |
| Cash | \$ 119,297 | \$ 33,928 |
| Prepaid and other current assets | 12,900 | 14,409 |
| | <u>\$ 132,197</u> | <u>\$ 48,337</u> |
| Liability | | |
| Accounts payable and other current liabilities | \$ 34,931 | \$ 79,619 |

For the three months ended March 31, 2026 and 2025, Aurea's net loss was \$55,532 and \$39,984, respectively.

Note 4. Prepaid expense and Other current assets

As of March 31, 2026 and December 31, 2025, prepaid expense and other current assets are as follows:

| | March 31, 2026 | December 31, 2025 |
|---------------------------------------|---------------------|----------------------|
| Prepaid insurance | \$ 175,356 | \$ 277,899 |
| Prepaid components | 731,660 | 1,418,393 |
| Prepaid satellite services & licenses | 2,671,656 | 2,724,513 |
| Prepaid software | 351,312 | 205,459 |
| Other current assets | 207,374 | 353,114 |
| | <u>\$ 4,137,358</u> | <u>\$ 4,979,378</u> |

During the three months ended March 31, 2026 and 2025, the Company recorded interest expense of \$879 and \$5,462 related to financing of our prepaid insurance policies.

Note 5. Property and Equipment

As of March 31, 2026 and December 31, 2025, property and equipment consisted of the following:

| | March 31, 2026 | December 31, 2025 |
|---|----------------------|----------------------|
| Office equipment | \$ 17,061 | \$ 17,061 |
| Computer equipment | 46,285 | 46,285 |
| Vehicle | 35,424 | 35,424 |
| Software | 1,131,091 | 1,131,091 |
| Machinery | 3,257,764 | 3,257,764 |
| Leasehold improvements | 397,536 | 397,536 |
| Satellite and related software | 8,041,931 | 8,041,931 |
| Construction in progress | 10,922,219 | 7,234,615 |
| | <u>23,849,311</u> | <u>20,161,707</u> |
| Accumulated depreciation | (6,588,934) | (5,977,328) |
| Property and equipment, net of accumulated depreciation | <u>\$ 17,260,377</u> | <u>\$ 14,184,379</u> |

As of March 31, 2026 and December 31, 2025, construction in progress represents components to be used in the manufacturing of our satellites.

Depreciation expense of property and equipment for the three months ended March 31, 2026 and 2025 is \$611,606 and \$934,673 of which \$518,637 and \$836,355 are included as components of cost of revenue, respectively.

During the three months ended March 31, 2026 and 2025, the Company purchased assets of \$3,687,604 and \$2,978,308, respectively.

Note 6. Accounts payable and other current liabilities

As of March 31, 2026 and December 31, 2025, accounts payable and other current liabilities consisted of the following:

| | March 31, 2026 | December 31, 2025 |
|--|---------------------|----------------------|
| Accounts payable | \$ 1,698,403 | \$ 3,853,699 |
| Payroll liabilities | 1,471,159 | 1,456,179 |
| Credit card liability | 79,880 | 28,202 |
| Other payable | 90,166 | 55,922 |
| Dividend payable | - | 63,996 |
| Payable for purchase of property and equipment | 13,387 | 14,469 |
| | <u>\$ 3,352,995</u> | <u>\$ 5,472,464</u> |

Note 7. Asset-based loan

The Company is party to a recourse loan and security agreement with an unrelated lender dated November 30, 2022, whereby the lender will provide loans secured by certain accounts receivable for up to 90% of the face amount. This was amended in 2024 to also include secured certain unbilled manufacturing and other works in process for up to 85% of the face amount and secured by certain unbilled delivery orders for up to 60% of the face amount. These are paid to the company in the form of a cash advance. The loan is collateralized by all tangible and intangible personal property of the Borrower. The Company has a revolving line of credit for \$3 million with a collateralized loan interest rate of 16.2% annum and uncollateralized loan interest rate of 19.5% annum on outstanding balances. In 2024, the Company agreed to increase a revolving line of credit for \$7 million. Additionally, in the event of default the Lender at its option can increase the loan interest rate by 5% per annum for each month or partial month default on outstanding balances. Under the loan and security agreement, the Company must pay back any invoices that become uncollectable. As of January 31, 2025 the Company's revolving line of credit was increased from \$7 million to \$10.5 million with same interest rates noted above for collateralized and uncollateralized loan interest rates.

The Company paid off this asset-based loan completely in January 2026. As of March 31, 2026 and December 31, 2025, the Company's collateralized and uncollateralized asset-based loan balance was \$0 and \$8,212,186, respectively. For the three months ended March 31, 2026 and 2025, the costs and interest incurred by the Company in connection with the loan and security agreement activities were \$18,477 and \$432,645, respectively.

Note 8. Contract assets and liabilities

As of March 31, 2026 and December 31, 2025, contract assets and contract liabilities consisted of the following:

| Contract assets | March 31, 2026 | December 31, 2025 |
|--|-------------------|----------------------|
| Revenue recognized in excess of amounts paid or payable (contracts receivable) to the company on uncompleted contracts (contract asset) that are subject to restrictions on invoicing, excluding retainage | \$ 81,241 | \$ 322,773 |
| Revenue recognized in excess of amounts paid or payable (contracts receivable) to the company on uncompleted contracts (contract asset) that are subject to restrictions on invoicing, excluding retainage – related party | 119,306 | 209,673 |
| Retainage included in contract assets due to being conditional on something other than solely passage of time – related party | - | - |
| Total contract assets | \$ 200,547 | \$ 532,446 |

The contract asset balance of \$200,547 as of March 31, 2026 relates to services performed on contracts for which the Company does not yet have the contractual right to invoice as of the balance sheet date.

| Contract liabilities | March 31, 2026 | December 31, 2025 |
|---|-------------------|----------------------|
| Payments received or receivable (contracts receivable) in excess of revenue recognized on uncompleted contracts (contract liability), excluding retainage | \$ 161,299 | \$ 186,537 |
| Payments received or receivable (contracts receivable) in excess of revenue recognized on uncompleted contracts (contract liability), excluding retainage – related party | \$ 28,292 | - |
| Retainage included in contract liabilities due to being conditional on something other than solely passage of time – related party | - | - |
| Total contract liabilities | \$ 189,591 | \$ 186,537 |

The contract liability balance of \$161,299 as of March 31, 2026 relates to a separate new contract and does not represent a continuation of the prior year balance. The contract liability balance of \$28,292 relates to a separate new contract and does not represent a continuation of the prior year balance with related parties.

Note 9. Leases

Operating lease

We have a new lease contract entered June 1, 2025 which includes both our office facility and warehouse space that expires May 31, 2028. The monthly "Base Rent" is \$12,232 and \$13,150. The Base Rent is increased by 3.0% each year. We had a lease contract entered June 1, 2024 which includes both our office facility and warehouse space that expired May 31, 2025. The monthly "Base Rent" was \$11,876 and \$12,767.

We recognized total lease expense, primarily related to our operating leases, on a straight-line basis in accordance with ASC 842.

As of March 31, 2026 and December 31, 2025, the Company recorded a refundable security deposit of \$10,000 for its warehouse space and is included in other assets on the balance sheet.

The operating lease expense were as follows:

| | Three months ended March 31, | |
|----------------------|------------------------------|------------|
| | 2026 | 2025 |
| Lease cost | | |
| Operating lease cost | \$ 113,203 | \$ 101,442 |

Supplemental balance sheet information related to operating leases was as follows:

| | March 31, 2026 | December 31, 2025 |
|--|-------------------|----------------------|
| Operating lease right-of-use assets at inception | \$ 856,787 | \$ 856,787 |
| Accumulated amortization | (221,644) | (153,931) |
| Total operating lease right-of-use assets | \$ 635,143 | \$ 702,856 |
| Operating lease liabilities - current | \$ 280,324 | \$ 273,545 |
| Operating lease liabilities - non-current | 362,510 | 434,695 |
| Total operating lease liabilities | \$ 642,834 | \$ 708,240 |

| | | |
|--|---|---|
| Right-of-use assets obtained in exchange for new operating lease liability | - | - |
|--|---|---|

| | | |
|--|-------|-------|
| Weighted-average remaining lease term — operating leases (years) | 2.17 | 2.42 |
| Weighted-average discount rate — operating leases | 6.50% | 6.50% |

Future minimum lease payments under operating leases that have initial noncancelable lease terms in excess of one year as of March 31, 2026, were as follows:

| Year Ended December 31, | Total |
|-----------------------------|------------|
| 2026 | \$ 233,773 |
| 2027 | 319,218 |
| 2028 | 134,641 |
| Thereafter | - |
| | 687,632 |
| Less: Imputed interest | (44,798) |
| Operating lease liabilities | \$ 642,834 |

Sublease

On August 1, 2021, the Company entered into a Sublease Agreement with its related party, CTC (“Sublandlord”), whereby the Company shall sublease certain offices, rooms and shared use of common spaces located at 150 Sykes Creek Parkway, Merritt Island, FL. The sublease agreement is a month-to-month lease and may be terminated with 30 days’ notice to the Sublandlord. The monthly rent shall be \$4,570 from inception through January 31, 2022, \$4,707 from February 1, 2022 to January 31, 2023 and \$4,847 from February 1, 2023 to January 31, 2024. On February 1, 2024, the Company extended the month-to-month Sublease agreement. The monthly rent shall be \$4,618.03 from February 1, 2024 to January 31, 2025, \$4,756.57 from February 1, 2025 to January 31, 2026 and \$4,899.27 from February 1, 2026 to January 31, 2027. A common area maintenance fee (CAM) will be charged in addition to the monthly rent. During the three months ended March 31, 2026 and 2025, the Company recorded \$33,419 and \$20,510 directly related to this short-term month to month lease to lease expenses.

Note 10. Related Party Transactions

Revenue and Accounts Receivable

The Company recognized revenue of \$109,217 and \$77,790 for the three months ended March 31, 2026 and 2025 and accounts receivable of \$1,254,447 and \$1,727,939, contract asset of \$119,306 and \$209,673 and contract liability of \$28,292 and \$0 as of March 31, 2026 and December 31, 2025, respectively, from contracts entered into by CTC, a principal stockholder, and subcontracted to the Company for four customers.

Accounts Payable

As of March 31, 2026 and December 31, 2025, the Company owed \$50,240 and \$876,007, respectively, to related parties of which \$0, and \$527,476, respectively, relates to advances from CTC which are unsecured, due on demand and non-bearing-interest.

As of March 31, 2026 and December 31, 2025, the Company recorded accounts payable of \$62,500 and \$75,006, respectively, related to Q1 2026 and Q4 2025 Board of Director compensation payments.

Cost of Revenue

For the three months ended March 31, 2026 and 2025, the Company recorded cost of revenue to CTC of \$31,142 and \$37,687, respectively.

Professional Service Agreements

A Professional Services Agreement, effective November 15, 2021, was made, between the Company and CTC. The period of performance for this Agreement was December 1, 2021, through November 30, 2022. The agreement was amended and the term of agreement was extended to June 30, 2025.

During the three months ended March 31, 2026 and 2025, the Company recorded professional services of \$26,043 and \$34,288, respectively.

Sublease

On August 1, 2021, the Company entered into a sublease agreement with its related party, CTC (“Sublandlord”), whereby the Company subleases certain offices, rooms and shared use of common spaces located at 150 Sykes Creek Parkway, Merritt Island, FL. The sublease agreement is a month-to-month lease and may be terminated with 30 days’ notice to the Sublandlord. The monthly rent shall be \$4,618.03 from February 1, 2024 to January 31, 2025, \$4,756.57 from February 1, 2025 to January 31, 2026 and \$4,899.27 from February 1, 2026 to January 31, 2027. A common area maintenance fee (CAM) will be charged in addition to the monthly rent. During the three months ended March 31, 2026 and 2025, the Company recorded \$33,419 and \$20,510, respectively, directly related to this short-term month to month lease to lease expenses.

Note 11. Commitments and Contingencies

Litigation

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. We are currently not aware of any such legal proceedings or claims that will have, individually or in aggregate, a material adverse effect on our business, financial condition, or operating results.

License Agreement

The consolidated financial statements include Aurea Alas Limited, which is a variable interest entity of which we are the primary beneficiary (see Note 3). On August 18, 2020, Aurea entered into a license agreement with a third-party vendor (the "Vendor"), whereby they licensed the rights to use certain available radio frequency spectrum for satellite communications. The Company shall pay an annual Reservation Fee of \$120,000 while the Company pursues up to four (4) NGSO satellite filing(s) via the Vendor. The Reservation Fee is levied on the date the filing(s) is received at the International Telecommunication Union (ITU). The Reservation Fee is payable annually at the anniversary of the date of receipt, as long as the customer retains the NGSO filing(s). The Reservation Fee payment continues to be payable until any of the frequency assignments of the NGSO filing(s) are brought into use. Upon the submission to the ITU to bring into use any of the frequency assignments of a given fleet, an annual License Fee of \$120,000 shall be paid in lieu of the Reservation Fee. On February 1, 2021, the Vendor submitted the license filing to the ITU and on April 6, 2021, the ITU published the license filing for LIZZIE IOMSAT. Payments began in February 2021. For the three months ended March 31, 2026 and 2025 the Company recorded payments of \$45,000 in Other General and Administrative expenses. These are eliminated upon consolidation.

Note 12. Stockholder's Equity

Authorized Capital Stock

The Company has authorized 5,000,000 shares of preferred stock with a par value of \$0.0001.

The Company has authorized 210,000,000 shares of common stock with a par value of \$0.0001, consisting of 200,000,000 shares of Class A Common Stock and 10,000,000 shares of Class B Common Stock. The Class B Common Stock is entitled to 10 votes for every 1 vote of the Class A Common Stock.

Series A Convertible Preferred Stock

The Company had no shares of Series A Convertible preferred stock issued and outstanding as of March 31, 2026 and December 31, 2025.

Class A Common Stock

The Company had 66,419,851 and 65,324,055 shares of Class A common stock issued and outstanding as of March 31, 2026 and December 31, 2025, respectively.

Fiscal year 2026

For the three months ended March 31, 2026, the Company issued 1,095,796 shares of Class A common via cash and cashless exercise of warrants, for proceeds of approximately \$1.7 million.

Class B Common Stock

The Company had 100,000 shares of Class B common stock issued and outstanding as of March 31, 2026 and December 31, 2025.

Warrants

There were no warrants issued during the three months ended March 31, 2026.

A summary of activity of the warrants during the three months ended March 31, 2026 as follows:

| | Number of shares | Weighted average Exercise Price | Average Life (years) |
|--------------------------------|---------------------|------------------------------------|-------------------------|
| Outstanding, December 31, 2025 | 5,380,661 | \$ 2.20 | 4.52 |
| Exercised | (1,399,534) | 2.10 | - |
| Outstanding, March 31, 2026 | <u>3,981,127</u> | <u>\$ 2.23</u> | <u>4.38</u> |
| Exercisable, March 31, 2026 | <u>3,981,127</u> | <u>\$ 2.23</u> | <u>4.38</u> |

The intrinsic value of the warrants as of March 31, 2026 is approximately \$1.9 million.

Stock Options

During the three months ended March 31, 2026, the Company did not grant any options. During the three months ended March 31, 2026 and 2025, the Company recognized stock option expense of \$80,078 and \$136,452, respectively, and as of March 31, 2026, \$566,247 remains unamortized. The intrinsic value of the 316,419 options outstanding as of March 31, 2026, is \$6,000.

A summary of activity of the stock options during the three months ended March 31, 2026, is as follows:

| | Options Outstanding | | Weighted Average Remaining life (years) |
|-------------------------------------|----------------------|------------------------------------|---|
| | Number of Options | Weighted Average Exercise Price | |
| Outstanding, December 31, 2025 | 329,752 | \$ 4.33 | 4.01 |
| Granted | - | - | - |
| Exercised | - | - | - |
| Forfeited/canceled | (13,333) | - | - |
| Outstanding, March 31, 2026 | <u>316,419</u> | <u>\$ 4.35</u> | <u>3.79</u> |
| Exercisable options, March 31, 2026 | <u>129,976</u> | <u>\$ 5.06</u> | <u>3.43</u> |

Restricted Stock Unit (RSU)

During the three months ended March 31, 2026, the Company granted 3,922 RSUs of which 1,961 vested on March 31, 2026 and 1,961 is expected to vest on June 30, 2026. During the three months ended March 31, 2026 and 2025, the Company recognized stock compensation expense of \$135,049 and \$75,677 related to unvested RSUs. Stock compensation expense is expected to be recognized ratably over the remaining service period of 1.71 years. These RSUs are not included in shares outstanding.

A summary of activity of the RSUs during the three months ended March 31, 2026, is as follows:

| | RSUs Outstanding | |
|---|-------------------|--------------------------------|
| | Number of RSUs | Weighted Average Fair value |
| Outstanding, December 31, 2025 (as previously reported) | 326,425 | \$ 2.09 |
| Prior period adjustment | 33,880 | 2.09 |
| Granted | 3,922 | 2.55 |
| Vested | (27,801) | 1.70 |
| Forfeited/canceled | (21,900) | 1.84 |
| Outstanding, March 31, 2026 | <u>314,526</u> | <u>\$ 2.29</u> |

During the three months ended March 31, 2026, the Company identified and recorded a prior period adjustment of 33,880 RSUs.

Stock Award

During the three months ended March 31, 2026 and 2025, the Company recorded stock compensation expense of \$42,500 and \$39,166 for 23,269 and 15,359 shares restricted as part of an annual total stock award to be issued of \$170,000 worth of shares of Class A Common Stock to board member, respectively. Stock shall vest every quarterly period end.

Note 13. Selling, General, Administrative Expenses

For the three months ended March 31, 2026 and 2025, selling, general and administrative expenses consisted as follows:

| | Three Months Ended March 31, | |
|------------------------------------|---------------------------------|---------------------|
| | 2026 | 2025 |
| Operating expenses | | |
| Payroll expenses | \$ 2,312,076 | \$ 2,508,800 |
| Sales and marketing expenses | 47,491 | 54,088 |
| Lease expense | 113,203 | 101,442 |
| Professional fees | 301,400 | 208,475 |
| General and administrative expense | 1,645,467 | 1,571,637 |
| Total | <u>\$ 4,419,637</u> | <u>\$ 4,444,442</u> |

Note 14. Segment

The Company operates as one operating segment. The Company's chief operating decision maker ("CODM") is its chief executive officer, who reviews financial information presented on a consolidated basis. The CODM uses consolidated operating margin and net income to assess financial performance and allocate resources. These financial metrics are used by the CODM to make key operating decisions, such as the determination of the rate at which the Company seeks to grow global operating margin and the allocation of budget between cost of revenues, sales and marketing, technology and development, and general and administrative expenses.

The following table presents selected financial information with respect to the Company's single operating segment for the three months ended March 31, 2026 and 2025:

| | Three Months Ended March 31, | | Change | % |
|-------------------------|---------------------------------|----------------|--------------|--------|
| | 2026 | 2025 | | |
| Revenue | \$ 359,372 | \$ 238,494 | \$ 120,878 | 51% |
| Cost of revenue | 1,409,445 | 1,866,972 | (457,527) | (25)% |
| Gross Profit (Loss) | (1,050,073) | (1,628,478) | 578,405 | (36)% |
| Gross Profit Percentage | (292%) | (683%) | 391% | (57)% |
| Operating expense | 4,419,637 | 4,444,442 | (24,805) | (1)% |
| Other income (expense) | 258,103 | (341,707) | 599,810 | (176)% |
| Net loss | \$ (5,211,607) | \$ (6,414,627) | \$ 1,203,020 | (19)% |

| | Three Months Ended March 31, | |
|------------------------------------|---------------------------------|--------------|
| | 2026 | 2025 |
| Operating expenses | | |
| Payroll expenses | \$ 2,312,076 | \$ 2,508,800 |
| Sales and marketing expenses | 47,491 | 54,088 |
| Lease expense | 113,203 | 101,442 |
| Professional fees | 301,400 | 208,475 |
| General and administrative expense | 1,645,467 | 1,571,637 |
| Total | \$ 4,419,637 | \$ 4,444,442 |

Note 15. Concentration

As of March 31, 2026 and December 31, 2025, and for the three months ended March 31, 2026 and 2025, customer concentrations (more than 10%) were as follows:

| | Percentage of Revenue For the three months ended | | Percentage of Accounts Receivable | |
|-----------------------------|---|------|--------------------------------------|--------------|
| | March 31, | | March 31, | December 31, |
| | 2026 | 2025 | 2026 | 2025 |
| Bechtel | -% | 25% | 1% | 9% |
| Craig Technologies | 48% | 23% | 85% | 86% |
| Lonestar Data Holdings, Inc | 23% | -% | 9% | -% |
| Xiomas Technologies | -% | 15% | -% | -% |
| Teledyne Marine | 16% | -% | 4% | -% |
| Total (as a group) | 87% | 63% | 100% | 95% |

Note 16. Subsequent Events

On April 21, 2026, the Company completed a registered direct offering of 11,228,700 shares of Class A common stock and 2,225,000 pre-funded warrants, for net proceeds of approximately \$53,916,703. On April 28, 2026, the Company entered into a five-year lease agreement for office space in Cape Canaveral, Florida, commencing May 1, 2026.

On May 11, 2026, Adarsh Parekh resigned as the Chief Financial Officer of the Company, effective June 1, 2026, to pursue a different role in a different geography. The Company has initiated a search for a new Chief Financial Officer. Effective June 1, 2026, John Burke, has been appointed as the Interim Chief Financial Officer.

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

Forward-Looking Statements and Industry Data

This Quarterly Report on Form 10-Q contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by such forward-looking terminology as "may," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. Our forward-looking statements are based on a series of expectations, assumptions, estimates and projections about our company, are not guarantees of future results or performance and involve substantial risks and uncertainty. We may not actually achieve the plans, intentions or expectations disclosed in these forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in these forward-looking statements. Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including the risks and uncertainties inherent in our statements regarding:

- our projected financial position and estimated cash burn rate;
- our estimates regarding expenses, future revenues and capital requirements;
- our ability to continue as a going concern;
- our need to raise substantial additional capital to fund our operations;
- our ability to compete in the global space industry;
- our ability to obtain and maintain intellectual property protection for our current products and services;
- our ability to protect our intellectual property rights and the potential for us to incur substantial costs from lawsuits to enforce or protect our intellectual property rights;
- the possibility that a third party may claim we have infringed, misappropriated or otherwise violated their intellectual property rights and that we may incur substantial costs and be required to devote substantial time defending against these claims;
- our reliance on third-party suppliers and manufacturers;
- the success of competing products or services that are or become available;
- our ability to expand our organization to accommodate potential growth and our ability to retain and attract key personnel;
- the potential for us to incur substantial costs resulting from lawsuits against us and the potential for these lawsuits to cause us to limit our commercialization of our products and services;

All of our forward-looking statements are as of the date of this Quarterly Report on Form 10-Q only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this Quarterly Report on Form 10-Q or included in our other public disclosures or our other periodic reports or other documents or filings filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC") could materially and adversely affect our business, prospects, financial condition and results of operations. Except as required by law, we do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections or other circumstances affecting such forward-looking statements occurring after the date of this Quarterly Report on Form 10-Q, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. Any public statements or disclosures by us following this Quarterly Report on Form 10-Q that modify or impact any of the forward-looking statements contained in this Quarterly Report on Form 10-Q will be deemed to modify or supersede such statements in this Quarterly Report on Form 10-Q.

This Quarterly Report on Form 10-Q may contain estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. We obtained the industry and market data in this Quarterly Report on Form 10-Q from our own research as well as from industry and general publications, surveys and studies conducted by third parties. This data involves a number of assumptions and limitations and contains projections and estimates of the future performance of the industries in which we operate that are subject to a high degree of uncertainty, including those discussed in “Risk Factors.” We caution you not to give undue weight to such projections, assumptions, and estimates. Further, industry and general publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that these publications, studies, and surveys are reliable, we have not independently verified the data contained in them. In addition, while we believe that the results and estimates from our internal research are reliable, such results and estimates have not been verified by any independent source.

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited interim consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025, as may be amended, supplemented or superseded from time to time by other reports we file with the SEC. All amounts in this report are in U.S. dollars, unless otherwise noted.

Throughout this Quarterly Report on Form 10-Q, references to “we,” “our,” “us,” the “Company,” “Sidus,” or “Sidus Space” refer to Sidus Space, Inc., individually, or as the context requires, collectively with its subsidiary.

Overview of Operations

Sidus Space operates as a vertically integrated space and defense technology company providing satellite design and manufacturing, technology integration, mission operations, artificial intelligence-enabled products and services, and space-based data solutions to government, defense, intelligence, and commercial customers. Our operations are supported by in-house engineering, manufacturing, assembly, integration, testing, and mission control capabilities.

During the three months ended March 31, 2026, our operating activities were focused on advancing satellite programs, supporting customer manufacturing and engineering contracts, expanding mission operations capabilities, and continuing to invest in artificial intelligence-enabled computing and data processing technologies. These initiatives required significant upfront investment in personnel, infrastructure, product development, and regulatory compliance, which impacted operating results and liquidity during the period.

Our results of operations are influenced by the timing and structure of customer contracts, milestone achievement, regulatory approvals, satellite launch schedules, and the level of investment required to support both current programs and anticipated future growth. As a result, revenue, expenses, and cash flows may fluctuate from period to period.

This overview should be read in conjunction with the more detailed discussion of our results of operations, liquidity and capital resources, and known trends and uncertainties set forth below.

Products and Services

Sidus delivers an integrated portfolio of satellite platforms, AI-enabled computing systems, precision manufacturing capabilities, mission operations services, and regulatory support that collectively enable end-to-end space and defense solutions. Through vertically integrated engineering, advanced manufacturing, and flight-proven technologies, Sidus provides flexible and scalable offerings to commercial, government, defense, and intelligence customers.

LizzieSat® Satellite Platform:

LizzieSat (LS) is a modular, hybrid 3D-printed satellite architecture designed to support multi-mission deployments across LEO, GEO, cislunar, and lunar orbits. The platform supports a broad range of payloads and mission objectives and is designed to enable rapid customer technology integration.

Sidus has successfully launched three LizzieSat platforms (LS-1, LS-2, and LS-3) since 2024, with additional missions planned. Current platform configurations include:

- LizzieSat Gen 1 (LS1-3): 100-125 kg
- LizzieSat Gen 2 (LS4+): 100, 200, and 400 kg
- GeoLizzie™: 400-800kg
- LunarLizzie™: 400-800kg with expanded power and precision timing

AI Enabled Edge Computing Systems:

Sidus has developed the Orlaith AI Ecosystem, integrating the FeatherEdge™ radiation-tolerant edge processor with the Cielo™ AI software suite. These technologies enable on-orbit data processing and near real-time analytics for applications including maritime monitoring, environmental intelligence, space situational awareness, and defense use cases.

Sidus has also developed the Fortis™ VPX family of modular computing products, designed to support SOSA and MOSA-aligned architectures for command, data handling, AI/ML processing, and precision navigation across air, land, sea and space domains.

Manufacturing and Engineering Services:

Sidus operates a vertically integrated manufacturing and engineering facility supporting precision machining, additive manufacturing, avionics and assembly, cable harness fabrication, and environmental testing. The Company's manufacturing operations are certified to ISO 9001 and AS9100 standards and support space-grade and defense-grade hardware production.

Mission Operations and Regulatory Support:

Sidus provides end-to-end mission operations services, including mission planning, payload integration, satellite monitoring and control, and data delivery. The Company operates a 24/7 Mission Control Center and maintains regulatory authorizations from the FCC, NOAA, and ITU, supporting current and planned satellite missions.

Key Achievements to date

Mission and Satellite Milestones:

- Successfully launched LizzieSat-3 (LS-3) on March 14, 2025, aboard SpaceX Transporter-13 rideshare mission, marking the third satellite added to Sidus' on-orbit satellite fleet.
- Completed successful bus-level commissioning of LS-3, including verification of hybrid 3D-printed structural subsystems and onboard AI-enhanced processing capabilities.
- Established communications with customer payloads on LS-3, enabling real-time mission tasking and data delivery.
- Commissioned the Automatic Identification System (AIS) sensor on LS-3, confirming maritime domain awareness capability.
- Received successful on-orbit images during commissioning of the HEO USA NEI imager aboard LS-3, validating imaging payload performance.

Advanced Computing, AI and VPX Platform Development:

- Introduced Sidus VPX technology, including:
 - Sidus Single Board Computer (SSBC): a SOSA-aligned, OpenVPX-based computing module.
 - Position, Navigation, and Timing (PNT) Card: designed to support operations in GPS-denied or contested environments.
- Launched the Orlaith™ AI Ecosystem, integrating FeatherEdge™ hardware with Cielo™ AI software for near real-time analytics across space, air, land, and sea domains.
- Completed commissioning of FeatherEdge™ GEN-2, the Company's next-generation onboard edge compute platform.
- Completed design of FeatherEdge™ 248Vi, advancing scalable AI/ML processing for space and defense applications.
- Received a Notice of Allowance for the Modular Satellite Platform patent, strengthening intellectual property protection for Sidus' adaptable satellite architecture.
- Expanded the Company's intellectual property portfolio through continued filings supporting modular satellite manufacturing, ruggedized multi-domain compute architectures, and AI-enabled mission payloads. As of fiscal year 2025, Sidus holds 15 issued patents and 11 pending patent applications.

Lunar and GEO Program Progress:

- Amended and extended the Lonestar Holdings lunar satellite manufacturing contract, increasing the total value to \$120 million.
- Signed a contract to integrate the Lonestar Commercial Pathfinder Mission onto LizzieSat-5.
- Completed System Requirements Review (SRR) and mission kickoff for Lonestar's Pathfinder program, with initial milestone payment received.
- Unveiled LunarLizzie™, an 800+-kg-class next-generation lunar spacecraft featuring on-orbit AI for near real-time intelligence.
- Executed a Memorandum of Understanding (MOU) with Saturn Satellite Networks to support development of a next-generation GEO satellite platform.

Strategic Partnership and International Expansion:

- Executed an MOU with Reflex Aerospace to explore joint satellite fleet services and expand global mission offerings.
- Expanded partnership with Little Place Labs, enabling near real-time maritime intelligence through LizzieSat-powered vessel detection capabilities.
- Partnered with VORAGO Technologies to advance radiation-hardened computing for scalable space and defense infrastructure.
- Maintained multi-launch agreement with SpaceX, securing access to reliable, recurring rideshare opportunities.
- Strengthened the Company's global customer pipeline, with increased demand for dual-use, SOSA-aligned hardware across commercial and defense markets.

Government and Defense Contracts:

- Awarded a ten-year Indefinite Delivery / Indefinite Quantity (IDIQ) contract with Tobyhanna Army Depot (TYAD) to provide fabrication and on-call support for:
 - Electrical harnesses and cable assemblies.
 - Mechanical components and assemblies.
 - Welding services.
- Secured a subcontractor role with MobLobSpace under NASA's SBIR Radar Initiative, utilizing LizzieSat as the hosting platform.
- Named a contract awardee under the Missile Defense Agency (MDA) Scalable Homeland Innovative Enterprise Layered Defense (SHIELD) IDIQ, a homeland defense program with a total potential ceiling of \$151 billion.

Hardware Deliveries and Engineering Execution:

- Completed delivery of additional final hardware enclosures for NASA's Mobile Launcher 2, supporting Artemis-related infrastructure.
- Continued expansion of dual-use hardware production, increasing orders for SOSA-aligned compute modules and subsystem architectures.
- Delivered a custom FeatherEdge Data Processing Unit (DPU) for Xiomax Technologies under a NASA Phase II Sequential Award, alongside advanced software and a completed final technical report supporting thermal imaging missions.

Mission Operations:

- Fully staffed and operationalized Sidus' 24/7 Mission Control Center, increasing capacity for continuous spacecraft monitoring, health management, and tasking.
- Initiated early-stage customer demonstrations and trials across defense and commercial space sectors, showcasing multi-domain operational capabilities.

Leadership and Organizational Changes:

- Elected Kelle Wendling, a seasoned aerospace and defense executive with more than three decades of leadership and government contracting experience, to the Board of Directors, effective January 1, 2026.
- On May 11, 2026 Adarsh Parekh resigned as the Chief Financial Officer of the Company, effective June 1, 2026 to pursue a different role in a different geography. We have initiated a search for a new Chief Financial Officer. Effective June 1, 2026, John Burke has been appointed as the Interim Chief Financial Officer.

Differentiation:

Sidus differentiates its offerings through a vertically integrated operating model that combines satellite design and manufacturing, advanced computing and AI capabilities, mission operations, and space-grade manufacturing within a single organizational structure. This integration enables rapid customer technology insertion, multi-mission flexibility, on-orbit adaptability through software updates, and reduced reliance on third-party suppliers.

Sidus' modular satellite platforms and open-architecture computing systems are designed to support deployment across multiple orbits, mission profiles, and industry sectors while maintaining flexibility to adapt to evolving customer requirements.

Key Factors Affecting Our Results and Prospects

We believe that our performance and future success depend on several factors that present significant opportunities but also pose risks and challenges, including competition from better known and well-capitalized companies, the risk of actual or perceived safety issues and their consequences for our reputation and the other factors discussed under "Risk Factors." We believe the factors discussed below are key to our success.

Expanding Commercial Satellite Operations

Our goal is to enable customers to meet their mission objectives with cost-effective solutions and to help them understand how space-based data can be impactful to day-to-day business. Our strategy includes increasing the demand downstream by starting out as end user focused. While others are focused on a data verticalization strategy specializing in key sectors or a problem set, we believe that flexibility in production, low-cost, standardized design and offering 'Space Access Reimagined' for consumers will provide a scalable model for growth. In just over two years, we successfully launched and began operations with three LizzieSat® multi-mission satellites for a multi-mission fleet. Designed to be modular, flexible, and cost-effective, our proven LizzieSat® platform enables rapid mission configuration and scalability across a wide range of satellite sizes, efficiently addressing unique mission requirements. Built with several proprietary Sidus designs for reusable core components, our smart vertical integration provides greater control over the supply chain, ensuring seamless integration of all components—whether developed in-house or sourced externally. This integrated approach offers a distinct advantage over competitors who rely on purchasing and integrating hardware, software, and subsystems from multiple vendors.

Our existing, proven manufacturing facility and infrastructure provides scalable and streamlined manufacturing with flexible and efficient cycles tailored to both internal and external end-users. We ensure controlled product quality and service through the use of space-qualified Commercial Off-the-Shelf (COTS) components, along with our AS9100 certified capability to manufacture our own space supply chain products. Our modular design supports flexible technology integration, enabling rapid incorporation of variable sensors and mission-specific technologies. By spreading fixed costs across multiple customers and capabilities, we offer a more cost-effective solution. As a full-stack space services provider, our offerings are anchored by a state-of-the-art Mission Control Center (MCC), ensuring end-to-end mission support.

In 2024 and 2025, we completed commissioning of FeatherEdge™ GEN-2 and activated AI edge-computing capabilities on all three LizzieSat® satellites. Further expanding the capabilities of our satellite fleet, we implemented the SatLab A/S second-generation automated identification system (AIS) technology into the LizzieSat® satellite fleet. AIS technology uses sophisticated systems on board marine vessels to identify and track ships to prevent collisions and protect life at sea. The integration of this technology, combined with data from optical sensors on board LizzieSat®, enables unique vessel tracking and monitoring solutions while providing valuable information about ship movements in real time. In addition to AIS technology, we have integrated visual spectrum and multispectral imagers into our sensor suite and expect to expand the sensors to include software defined multispectral or hyperspectral sensors for future satellite missions.

The Company maintains regulatory authorizations from the FCC, NOAA, and ITU supporting current and planned satellite missions. These authorizations enable our current on-orbit operations and support future satellite deployments across LEO, GEO, cislunar, and lunar mission plans.

We currently have several satellites in production and expect to launch 2-3 LizzieSat® satellites ranging from 100kg to 400kg over the next three years. We are also actively building satellites for additional customer missions, including under our Lonestar Holdings lunar satellite manufacturing program.

Any delays in commencing our commercial launch operations, including delays or cost overruns in obtaining NOAA licenses or other regulatory approvals for future operations or frequency requirements, could adversely impact our results and growth plans. The exact timing of launches is contingent on several factors, including satisfactory and timely completion of assembly, integrating and testing of the satellites, regulatory approvals, confirmation of the launch slot timing by the launch provider, logistics, weather conditions, and other factors, many of which are beyond our control.

Growing and expanding our experienced space hardware operations

We are seeking to grow our space and defense hardware operations, with a goal of expanding from one shift to two and a half shifts and increasing our customer base in the future. Additionally, we are specifically targeting growth in our avionics and wire harness division to meet the needs of the commercial and government space industry. With current customers in the space, marine, and defense industries, our contract revenue is stable, and we are in active discussions with numerous potential customers, including government agencies, large defense contractors and private companies, to add to our contracted revenue. In the past decade, we have fabricated ground and flight products for the NASA SLS Rocket and Mobile Launcher as well as other commercial space and satellite companies. We have supported customers such as Boeing, Lockheed Martin, Northrop Grumman, Dynetics/Leidos, Blue Origin, United Launch Alliance, Collins Aerospace, L3Harris, OneWeb and Space Systems Loral/Maxar. We have manufactured various products including fluid, hydraulic and pneumatic systems, electrical control systems, cable harnesses, hardware lifting frames, umbilical plates, purge and hazardous gas disconnects, frangible bolts, reef cutters, wave guides, customized platforms, and other precision machined and electrical component parts for all types of launch vehicles, ground, flight and satellite systems.

Vertically Integrated Space Infrastructure Manufacturing

We are designing, developing, manufacturing, and operating a fleet of proprietary smallsats in addition to designing and building variations of our satellites for other customer missions. These satellites are designed for multiple missions and customers and form the foundation of our satellite platform. Our initial satellites weigh approximately 100 kilograms each and are designed to be more functional than cubesats and nanosatellites and less expensive to manufacture than our competitors. In addition to our own hybrid 3D printed, modular satellites, we are designing and manufacturing customized satellites using our standard design for LEO and lunar applications for customers that include government and commercial entities.

Our cost-effective smallsats are designed from the ground-up to optimize performance per unit cost. Our model is a movement from highly bespoke, costly satellite manufacturing techniques to standardized bus with integration of customer requirements at lower costs. We can integrate technologies and deliver data on demand at lower costs than legacy providers due to our vertical integration, use of commercial off the shelf (COTS) proven systems, cost-efficiencies, capital efficient satellite design, and adaptable pricing models.

We design and manufacture satellites at our Cape Canaveral facility. Our current configuration and facility is designed to manufacture multiple satellites per month. Our vertical integration enables us to control our satellites through the entire design, manufacturing, and operation process. Our years of experience manufacturing space hardware means we can leverage our manufacturing expertise and commercial best practices for satellite production. Additionally, leveraging both in-house and partner-provided subsystem components and in-house design and integration services as well as operational support of satellites on orbit, provides turn-key delivery of satellites to offer “concept to fleet” in months instead of years. Specifically, our offerings are expected to encompass all aspects of hosted satellite and fleet services, including hosting customer technologies onto our satellites, and delivering data and fleet services to customers from our space platform. These services are expected to allow customers to focus on developing innovative technologies rather than having to design or develop complete satellite buses or fleets. Additionally, we provide ancillary services that include telemetry, tracking and control, communications, processing, as well as software development and maintenance.

Our patented space-related technologies include a print head for regolith-polymer mixture and associated feedstock; a heat transfer system for regolith; a method for establishing a wastewater bioreactor environment; vertical takeoff and landing pad and interlocking pavers to construct same; and high-load vacuum chamber motion feedthrough systems and methods. Regolith is a blanket of unconsolidated, loose, heterogeneous superficial deposits covering solid rock. It includes dust, broken rocks, and other related materials and is present on earth, the moon, Mars, some asteroids, and other terrestrial planets and moons. We continue to patent our products including our satellites, external platforms and other innovations. We hold 15 issued patents and 11 pending patent applications as of March 31, 2026.

Revenue Generation

We generate revenue by selling technology space on our satellite platform, providing engineering and systems integration services to strategic customers on a project-by-project basis, and manufacturing space hardware for other space and defense entities to include satellites. Additionally, we intend to add to our revenue by selling geospatial data and actionable intelligence captured through our satellite fleet. This support is typically contracted to both commercial and government customers under fixed price contracts and often includes other services. Due to the size and capacity of our satellite, we plan to expand the diverse array of sensors on each satellite such as Multispectral and Hyperspectral Earth Observing Imagers, Maritime Vessel RF Tracking receivers, UHF IoT Transceivers, Optical Communications systems, and others. Integrating multiple sensors and technologies on a single multi-mission satellite can simultaneously address the needs of multiple customers and their requirements.

Lowering Manufacturing Cost and Schedule

We have developed a manufacturing model that provides rapid response to customer requirements including integration of customers technologies for space-based data delivery. Our satellites are designed to integrate COTS subsystems that are space-proven, can be rapidly integrated into the satellite and replaced rapidly when customer needs change or evolve. Our vertically integrated manufacturing processes give us the flexibility to make changes during the production cycle without impacting launch or costs.

Environmental, social, and corporate governance

We have been in business for over twelve years manufacturing space hardware and components, and in that time, implementation of policies and processes to mitigate environmental impact have been of utmost importance. Furthermore, since our inception, we have recognized the value of our employees and have always prioritized employee well-being through facets such as excellent benefits, programs, educational assistance, and insurance of a safe and healthy work environment. We also understand that our efforts to promote value and well-being are not limited to our employees. We are committed to the communities we belong to both locally and professionally. We have formalized this commitment, providing tangible benefits back to the community that supports us.

Our Growth Strategies

We are focused on empowering end users, developers, channel partners and the organizations they serve to quickly and easily access and integrate real-time geospatial intelligence into their daily operations and prove out technologies to further grow the space ecosystem. Our growth strategy is driven by the following objectives:

Increase our overall customer base. As an established heritage aerospace firm, we are positioned at the forefront of the ongoing political and secular shift toward space-based communications and data derived from commercial satellite and intelligence providers. This evolving landscape presents a significant opportunity to expand our customer base through a combination of direct and indirect sales strategies. To support this growth, we are actively scaling both our direct sales teams and our global network of indirect sales channels.

Expand within our current customer base. As our satellite design and manufacturing and space-based data offerings grow and deliver results, we expect that our current customers will increase their spending on our expanded services.

Continue to penetrate international markets. We have expanded our strategic focus to include international markets, actively building a pipeline of prospective partnerships with small, underrepresented governments and global companies that can benefit from our expertise and services. As part of this initiative, we have signed partnership agreements with companies in Germany, Japan, India, Spain, the Netherlands, and Belgium to explore potential joint venture opportunities.

Grow distribution channels and channel partner ecosystem. We have strategically invested resources to expand our sales reach by developing robust distribution channels and forging partnerships with technology providers, solution partners, strategic global system integrators, and value-added resellers. These collaborations are designed to help us enter and grow in new markets while effectively complementing our direct sales efforts.

Global Space Industry Overview

The space economy has experienced significant growth in recent years, driven by technological advancements in satellites and terrestrial technologies that have enabled new commercial applications. These applications encompass satellite broadband, remote imaging, Internet-of-Things (IoT)/Machine-to-Machine (M2M) communications, defense-related uses, and more. Consequently, numerous operators have announced plans for new satellite constellations, predominantly comprising small Low Earth Orbit (LEO) satellites rather than traditional large Geostationary Orbit (GEO) satellites. This influx of new entrants across various segments has led to an evolving small satellite value chain, particularly in launch services, downstream value-added applications, mergers and acquisitions, and consolidation among stakeholders.

The rapid pace of innovation continues to drive the commercialization of space-based data, analytics, and insights, enhancing their relevance to businesses, governments, and the public. The demand for space-derived data is growing rapidly, while the cost of accessing space is decreasing. Key trends in the new space economy include the expansion of satellite constellations, increased availability of space-based data, a shift in user demand toward analytics and insights, climate change adaptation, global security concerns, and advancements in on-board technologies.

According to a McKinsey report published in January 2025, the space economy is projected to reach \$1.8 trillion by 2035, up from \$630 billion in 2023, with an average annual growth rate of 9%, outpacing global GDP growth. This growth is expected to be driven by satellites, increased government space budgets, and new applications and industries in space exploration.

The small satellite market is also experiencing substantial growth. According to The Business Research Company and a 2025 Global Market Insights report, the global small satellite market size was valued at \$6.9 billion in 2024 and is projected to grow at a compound annual growth rate (CAGR) of 16.4% from 2025 to 2034, reaching approximately \$30.6 billion by 2034. This growth is attributed to factors such as cost-effectiveness in space missions, advances in miniaturization, rapid development cycles, improved access to space, and the commercialization of space operations.

Private investment in the commercial space industry has surged, leading to the emergence of new companies reinventing major elements of the traditional space industry, including human spaceflight, satellites, and launch services, as well as unlocking entirely new market segments. Government agencies have recognized the value of the private commercial space industry and have become increasingly supportive and reliant on private companies to catalyze innovation and advance national space objectives. In the United States, this is evidenced by notable policy initiatives and the growing share of space activities conducted by commercial contractors.

Overall, the space economy is poised for significant growth, with both established and emerging players contributing to an increasingly dynamic and competitive landscape.

Launch Market

Historically, access to space was constrained by high capital requirements, with launch costs serving as the primary bottleneck for orbital activities. Launch availability—adequate for traditional, large-scale missions occurring only a few times a year—was often insufficient and limiting for operators of small satellites. While emerging launch providers have aimed to increase launch frequency and flexibility for smallsat missions, financial barriers have continued to pose challenges for new entrants.

Today, the landscape is shifting rapidly. After years of limited launch opportunities, small satellites now benefit from a wider range of launch solutions, including dedicated small launch vehicles, rideshare programs, brokers, and deployment systems. According to Euroconsult, the small satellite launch market—valued at \$7.6 billion—is projected to grow by over 279% to reach \$28.4 billion. However, a significant portion of that market remains dominated by national programs and vertically integrated providers like SpaceX. Previously overlooked due to fragmented demand and lower perceived profitability, the smallsat sector is now receiving increased attention, as launch supply adapts to meet rising demand with greater responsiveness and innovation.

Small Satellite Market

Since 2018, the commercial space market has experienced a significant paradigm shift, leading to an increased demand for small satellites (smallsats). According to Euroconsult, smallsats have become more compact over the past few years while enhancing their performance. Technological advancements have expanded their mission capabilities, making them more resilient, effective, and cost-effective. This miniaturization trend allows customers to choose between lighter satellites with unchanged capabilities or larger, more powerful satellites offering greater functionalities. Key technical enablers include:

- Extended use of electric propulsion
- Miniaturization of attitude sensors
- Improvements in solar cell and battery efficiency
- Commercial off-the-shelf (COTS) solutions for bus electronics
- 3D printing technologies

The demand for large geosynchronous satellites has declined as companies focus on deploying constellations of smaller, cost-effective broadband satellites in low and medium Earth orbits. Advancements in space-related sectors, particularly computational technologies and data analytics, have facilitated the miniaturization of satellite systems, thereby enhancing the market. Consequently, smallsats now provide operational services previously exclusive to larger satellites. Euroconsult projects that approximately 26,104 smallsats (under 500 kg) will be launched between 2023 and 2032, averaging a daily launch mass of 1.5 tons over the decade.

Moreover, this market growth has led to the emergence of new segments, such as nanosatellites (weighing less than 10 kg) and microsatellites (weighing between 10 and 100 kg). These satellites can operate individually or as part of constellations—large groups of interconnected satellites providing services like global internet connectivity, exemplified by SpaceX's Starlink constellation. Euroconsult reports that the smallsat manufacturing market, valued at \$15.5 billion from 2012 to 2021, is expected to grow by 258% to \$55.6 billion over 2022 to 2031, driven by numerous constellation projects from both commercial and government stakeholders. The next decade will primarily feature the rollout of multiple constellation projects, accounting for 81% of smallsat launches, mainly by commercial operators. Notably, 3,335 smallsats under 10 kg are anticipated to launch in the next decade, more than doubling the 1,656 launched between 2012 and 2021. Satellites in this category, especially CubeSats, have gained momentum recently, with 1,187 launched in the past five years alone.

The growth in low Earth orbit (LEO) satellite constellations is driven by technological advances in ground equipment, new business models, expanded funding, and increasing demand for high bandwidth and lower latency. Although the satellite constellations market remains in its early stages, significant growth is anticipated in the launch industry as companies seek versatile and cost-effective methods to deploy single satellites to specific orbits or establish their satellite constellations. Furthermore, the expansion of the satellite constellations market is expected to benefit satellite services offerings. LEO satellite constellations have relatively short lifespans on orbit, necessitating the launch of replenishment satellites every few years

Results of Operations

Comparison of quarter ended March 31, 2026, to quarter ended March 31, 2025

The following table provides certain selected financial information for the periods presented:

| | Three Months Ended March 31, | | Change | % |
|---|---------------------------------|----------------|--------------|--------|
| | 2026 | 2025 | | |
| Revenue | \$ 359,372 | \$ 238,494 | \$ 120,878 | 51% |
| Cost of revenue | 1,409,445 | 1,866,972 | (457,527) | (25)% |
| Gross Profit (Loss) | (1,050,073) | (1,628,478) | 578,405 | (36)% |
| Gross Profit Percentage | (292)% | (683)% | | |
| Selling, General & Administrative expense | 4,419,637 | 4,444,442 | (24,805) | (1)% |
| Other income (expense) | 258,103 | (341,707) | 599,810 | (176)% |
| Net loss | \$ (5,211,607) | \$ (6,414,627) | \$ 1,203,020 | (19)% |

Revenue

Total revenue for the three months ended March 31, 2026 increased approximately \$121,000 or 51% compared to the three months ended March 31, 2025. Non-related party revenue increased by approximately 56% for the three months ended March 31, 2026, to approximately \$250,000 as compared to approximately \$161,000 for the three months ended March 31, 2025. This was primarily driven by the addition of new customer contracts including Lonestar Data Holdings and Teledyne Marine. Related party revenue increased 40% to approximately \$109,000 for the three months ended March 31, 2026 versus approximately \$78,000 for the three months ended March 31, 2025. This was influenced by increased work performed for our related party as their contract activity grew.

Cost of Revenue

Cost of revenue decreased 25% for the three months ended March 31, 2026 to approximately \$1.4 million as compared to approximately \$1.9 million for the three months ended March 31, 2025 and included approximately \$31,000 related party cost of sales for the three months ended March 31, 2026 and approximately \$38,000 for the three months ended March 31, 2025. The overall decrease in cost of revenue was primarily driven by lower satellite and related software depreciation expense and improved cost discipline in the manufacturing side of our business.

Gross Profit (Loss)

The 36% improvement in our gross loss for the three months ended March 31, 2026 to a loss of approximately \$1.1 million as compared to a loss of approximately \$1.6 million for the three months ended March 31, 2025, was driven primarily by higher revenue and lower satellite and related software depreciation costs following the satellite impairment write-off in Q4 2025.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses decreased approximately \$25,000 (less than 1%) when compared with the same period in 2025. This was primarily due to the following:

- An increase of approximately \$93,000 in professional fees to approximately \$301,000 in 2026 compared to approximately \$208,000 in 2025.
- An increase of approximately \$74,000 in general and administrative expenses to approximately \$1.6 million in 2026 compared to approximately \$1.6 million in 2025.
- An increase of approximately \$12,000 in lease expense to approximately \$113,000 in 2026 compared to approximately \$101,000 in 2025.
- A decrease of approximately \$7,000 in sales and marketing expenses to approximately \$47,000 in 2026 compared to approximately \$54,000 in 2025.
- A decrease of approximately \$197,000 in payroll expenses to approximately \$2.3 million in 2026 compared to approximately \$2.5 million in 2025.

Total other income (expenses)

Other income (expenses) showed a change to net other income of approximately \$258,000 in 2026 compared to net other expense of approximately \$342,000 in 2025, primarily due to the elimination of asset-based loan expense following the payoff of the asset-based loan in January 2026 and increased interest income from cash holdings.

NON-GAAP MEASURES

To provide investors with additional information in connection with our results as determined in accordance with GAAP, we use non-GAAP measures of adjusted EBITDA. We use adjusted EBITDA in order to evaluate our operating performance and make strategic decisions regarding future direction of the company since it provides a meaningful comparison to our peers using similar measures. We define adjusted EBITDA as net income (as determined by U.S. GAAP) adjusted for interest expense, depreciation and amortization expense, capital raise expense, severance costs, equity-based compensation and impairment loss. These non-GAAP measures may be different from non-GAAP measures made by other companies since not all companies will use the same measures. Therefore, these non-GAAP measures should not be considered in isolation or as a substitute for relevant U.S. GAAP measures and should be read in conjunction with information presented on a U.S. GAAP basis.

The following table reconciles adjusted EBITDA to net loss (the most comparable GAAP measure) for the three months ended March 31, 2026 and 2025:

| | Three Months Ended March 31, | | Change | % |
|---------------------------------|---------------------------------|--------------------|---------------|-------------|
| | 2026 | 2025 | | |
| Net Income / (Loss) | \$ (5,211,607) | \$ (6,414,627) | \$ 1,203,020 | (19)% |
| Interest Income/Expense (i) | (258,102) | 341,707 | (599,809) | (176)% |
| Depreciation & Amortization(ii) | 611,606 | 934,674 | (323,068) | (35)% |
| Capital Raise expense (iii) | - | 5,480 | (5,480) | (100)% |
| Severance Costs | 16,042 | 206,100 | (190,058) | (92)% |
| Equity based compensation (iv) | 215,127 | 252,243 | (37,116) | (15)% |
| Total Non-GAAP Adjustments | 584,673 | 1,740,204 | (1,155,531) | (66)% |
| Adjusted EBITDA | <u>(4,626,934)</u> | <u>(4,674,423)</u> | <u>47,488</u> | <u>(1)%</u> |

(i) Sidus Space incurred lower net interest expense following the repayment of the asset-based loan in January 2026 and increased interest income from cash holdings.

(ii) Sidus Space incurred lower depreciation expense following the satellite impairment write-off in Q4 2025.

(iii) Sidus Space did not incur internal fundraising expense related to capital raises.

(iv) Sidus Space issued stock-based compensation for employee and Board services rendered.

Liquidity and Capital Resources

The following table provides selected financial data about us as of March 31, 2026, and December 31, 2025

| | March 31, 2026 | December 31, 2025 | Change | % |
|---------------------|-------------------|----------------------|-----------------|-------|
| Current assets | \$ 33,158,024 | \$ 50,688,590 | \$ (17,530,566) | (34)% |
| Current liabilities | \$ 3,873,150 | \$ 15,020,739 | \$ (11,147,589) | (73)% |
| Working capital | \$ 29,284,874 | \$ 35,667,851 | \$ (6,382,977) | (18)% |

Liquidity is the ability of a company to generate funds to support asset growth, satisfy disbursement needs, maintain reserve requirements, and otherwise operate on an ongoing basis. We had insufficient operating revenues, so we are currently dependent on debt financing and sale of equity to fund operations.

We had an accumulated deficit of approximately \$95.0 million and working capital of approximately \$29.3 million as of March 31, 2026 compared to accumulated deficit of approximately \$89.8 million and working capital of approximately \$35.7 million as of December 31, 2025. As of March 31, 2026, we had approximately \$27.3 million of cash as compared to approximately \$43.2 million as of December 31, 2025.

As of December 31, 2025 the working capital surplus was primarily due to funds raised in our capital raises completed in Q3 and Q4 2025. As of March 31, 2026, our working capital reflects the use of cash for operations and the repayment of the asset-based loan in January 2026.

Current assets decreased by approximately \$17.3 million to approximately \$33.4 million as of March 31, 2026 from approximately \$50.7 million as of December 31, 2025. The decrease is primarily attributable to the use of cash to repay the asset-based loan and fund operations.

Current liabilities decreased significantly to approximately \$4.1 million as of March 31, 2026 from approximately \$15.0 million as of December 31, 2025. The decrease is primarily attributable to the repayment of the asset-based loan in January 2026 and the repayment of related party advances.

Cash Flow

| | Three Months Ended March 31, | | Change | % |
|---|---------------------------------|----------------|----------------|--------|
| | 2026 | 2025 | | |
| Cash used in operating activities | \$ (5,645,038) | \$ (3,207,213) | \$ (2,437,825) | 76% |
| Cash used in investing activities | \$ (3,687,604) | \$ (2,978,308) | \$ (709,296) | 24% |
| Cash provided by (used in) financing activities | \$ (6,493,598) | \$ 2,193,243 | \$ (8,686,841) | (396)% |
| Cash on hand | \$ 27,349,756 | \$ 11,711,301 | \$ 15,638,455 | 134% |

Three Months ended March 31, 2026 and 2025

Cash Flow from Operating Activities

For the three months ended March 31, 2026, net cash flows used in operating activities was approximately \$5.6 million compared to approximately \$3.2 million during the three months ended March 31, 2025.

Cash flows used in operating activities for the three months ended March 31, 2026 of approximately \$5.6 million is comprised of a net loss of approximately \$5.2 million, which was reduced by non-cash expenses of approximately \$215,000 for stock-based compensation, approximately \$612,000 for depreciation, and a decrease in net working capital of approximately \$1.3 million.

Cash flows used in operating activities for the three months ended March 31, 2025 of approximately \$3.2 million is comprised of a net loss of approximately \$6.4 million, which was reduced by non-cash expenses of approximately \$252,000 for stock-based compensation and approximately \$935,000 for depreciation, approximately \$20,000 of non-cash fees on the asset-based loan and a decrease in net working capital of approximately \$2.0 million.

Cash Flows from Investing Activities

During the three months ended March 31, 2026 and 2025, Sidus Space invested approximately \$3.7 million and \$3.0 million respectively, in property and equipment primarily related to purchasing satellite related components and software.

Cash Flows from Financing Activities

During the three months ended March 31, 2026, net cash used in financing activities of approximately \$6.5 million primarily consisted of the repayment of the asset-based loan of approximately \$8.2 million, partially offset by proceeds from the exercise of warrants of approximately \$1.7 million.

During the three months ended March 31, 2025, net cash provided in financing activities of approximately \$2.2 million included proceeds from the exercise of warrants from our December 2024 capital raise of approximately \$2.4 million and net proceeds of approximately \$2.9 million from an asset-based loan and repayment of notes payable of approximately \$3.1 million.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities.

Critical Accounting Policies and Significant Judgments and Estimates

This discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are described in more detail in the notes to our financial statements included elsewhere in this Quarterly Report on Form 10-Q, we believe that the following accounting policies are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management’s judgments and estimates.

We believe our most critical accounting policies and estimates relate to the following:

- Revenue Recognition
- Satellite Impairment
- Credit losses
- Lease Accounting
- Stock Option and Warrant Valuation

Revenue Recognition

We adopted ASC 606 – Revenue from Contracts with Customers using the modified retrospective transition approach. The core principle of ASC 606 is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for exchange of those goods or services. Our updated accounting policies and related disclosures are set forth below, including the disclosure for disaggregated revenue. The impact of adopting ASC 606 was not material to the Consolidated Financial Statements.

Our revenue is recognized under Topic 606 in a manner that reasonably reflects the delivery of its services and products to customers in return for expected consideration and includes the following elements:

- executed contracts with our customers that we believe are legally enforceable;
- identification of performance obligations in the respective contract;
- determination of the transaction price for each performance obligation in the respective contract;
- allocation of the transaction price to each performance obligation; and
- recognition of revenue only when we satisfy each performance obligation.

These five elements, as applied to each of the Company’s revenue categories, are summarized below:

Revenues primarily from manufacturing related fixed price contracts that are still in progress at month end are recognized on the percentage-of-completion method, measured by the percentage of total costs incurred to date to the estimated total costs for each contract. This method is used because management considers total costs to be the best available measure of progress on these contracts. Revenue from fixed price contracts and time-and-materials contracts that are completed in the month the work was started are recognized when the work is shipped.

Revenues from fixed price contracts primarily related to the satellite side of the business that require milestone payments are recognized at the time of the milestone being met provided the milestone includes the delivery of a service or product. This method is used because management considers that the payments are nonrefundable unless the entity fails to perform as promised. If the customer terminates the contract, we are entitled to retain any progress payments received from the customer and we have no further rights to compensation from the customer. Even though the payments made by the customer are nonrefundable, the cumulative amount of those payments is not expected, at all times throughout the contract, to at least correspond to the amount that would be necessary to compensate us for performance completed to date. Accordingly, we account for the progress under the contract as a performance obligation satisfied at a point in time.

The Company accounts for the majority of its fixed price or time-and-materials contracts as performance obligations satisfied over time, due to the Company's enforceable right to collect based on services provided through any applicable date of termination. Amounts recognized as revenue over time due to this, but in which the Company does not yet have the right to invoice for due to contractual arrangements are reflected as contract assets until such time as they are invoiced, and the Company has the right to receive payment.

Credit Losses

The provision for expected credit losses on trade receivables is estimated based on historical information, customer solvency and changes in customer payment terms and practices. The Company calibrates its provision matrix to adjust the historical credit loss experience with forward-looking information. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The company utilizes the Allowance Method based on the accounts receivable aging in order to accrue bad debt expense.

Satellite Impairment

Management performs its impairment assessment using an undiscounted cash flow model, which incorporates projected revenue from the Company's satellite operations, as the related fixed assets are directly tied to these activities. Key assumptions in the model include the expected initial data harvesting date, the probability of establishing and maintaining communications, the number of daily satellite passes over ground stations, average usable contact time per pass, data downlink speed, the proportion of data sold, and the pricing of such data. These assumptions are based on historical satellite performance, current market pricing, and management's expectations for future operations. Given the inherent uncertainty in forecasting, these assumptions are highly sensitive, and relatively small changes could result in different conclusions. Any impairment charge identified is recognized in the period determined and may have a significant impact on net income and stockholders' equity.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities - current, and operating lease liabilities - noncurrent on the balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Leases with a lease term of 12 months or less at inception are not recorded on our balance sheet and are expensed on a straight-line basis over the lease term in our statement of operations.

Stock Option and Warrant Valuation

We use the Black-Scholes option-pricing model to value all options and Class A common stock warrants. Estimating the fair value of stock options using the Black-Scholes option-pricing model requires the application of significant assumptions, such as the fair value of our Class A common stock, the estimated term of the options, risk-free interest rates, the expected volatility of the price of our Class A common stock, and an expected dividend yield. Each of these assumptions is subjective, requires significant judgment, and is based upon management's best estimates. If any of these assumptions were to change significantly in the future, equity-based compensation related to future awards may differ significantly, as compared with awards previously granted.

JOBS Act

On April 5, 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (“Securities Act”) for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We have chosen to take advantage of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies provided under the JOBS Act. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates for complying with new or revised accounting standards.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an “emerging growth company,” we intend to rely on certain of these exemptions, including without limitation, (i) providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board (“PCAOB”) regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an “emerging growth company” until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of our initial public offering; (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Report, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management is undertaking multiple corrective actions to address ineffective controls and procedures, including strengthening, redesigning and automating controls, enhancing training and increasing management oversight to address root causes. Key actions involve increased segregation of duties, implementation of robust reconciliations, upgrades to systems and validation of system-generated data.

Changes in Internal Control

There have been no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

ITEM 1A. RISK FACTORS.

Risk factors that affect our business and financial results are discussed in Part I, Item 1A “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2025 (“Annual Report”). There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Annual Report, which could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

During the three months ended March 31, 2026, none of the Company’s directors or officers adopted or terminated any “Rule 10b5-1 trading arrangements” or any “non-Rule 10b5-1 trading arrangements,” as each term is defined in Item 408 of Regulation S-K.

ITEM 6. EXHIBITS.

| Exhibit No. | Description |
|--------------------|--|
| 31.1* | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, 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.INS* | Inline XBRL Instance Document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Cover Page Interactive Data File - the cover page from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2026 is formatted in Inline XBRL |
| * | Filed herewith. |

SIGNATURES

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

SIDUS SPACE, INC.

Date: May 14, 2026

By: /s/ Carol Craig
Carol Craig
Chief Executive Officer
(Principal Executive Officer)

Date: May 14, 2026

By: /s/ Adarsh Parekh
Adarsh Parekh
Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification of Chief Executive Officer of Sidus Space, Inc.**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Carol Craig, certify that:

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

Date: May 14, 2026

/s/ Carol Craig

Carol Craig
Chief Executive Officer
(Principal Executive Officer)

Certification of Chief Financial Officer of Sidus Space, Inc.**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Adarsh Parekh, certify that:

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

Date: May 14, 2026

/s/ Adarsh Parekh

Adarsh Parekh
Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Carol Craig, Chief Executive Officer of Sidus Space, Inc. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's quarterly report on Form 10-Q for the period ended March 31, 2026 (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.

Date: May 14, 2026

/s/ Carol Craig

Carol Craig
Chief Executive Officer
(Principal Executive Officer)

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Adarsh Parekh, Chief Financial Officer of Sidus Space, Inc. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's quarterly report on Form 10-Q for the period ended March 31, 2026 (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.

Date: May 14, 2026

/s/ Adarsh Parekh

Adarsh Parekh

Chief Financial Officer

(Principal Financial and Accounting Officer)
