

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

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

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

For the quarterly period ended September 30, 2022

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)

**150 N. Sykes Creek Parkway, Suite 200,
Merritt Island, FL**
(Address of principal executive offices)

46-0628183
(I.R.S. Employer
Identification No.)

92953
(Zip Code)

(321) 613-5620

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.0001 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 common shares outstanding as of November 14, 2022 was 17,992,952.

EXPLANATORY NOTE

Sidus Space, Inc. (the "Company") is filing this Amendment No. 1 (this "Amendment") to its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022, as originally filed with the U.S. Securities and Exchange Commission ("SEC") on November 14, 2022 (the "Original Filing") solely to revise certain disclosures in the condensed notes to consolidated financial statements for the nine months ended September 30, 2022. Accordingly, the Original Filing is hereby amended and restated as set forth below. Except as described above, no other changes have been made to the Original Filing. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect subsequent events that occurred or facts that became known to us after the filing of the Original Filing, and such forward-looking statements should be read in their historical context. Accordingly, this Amendment should be read in conjunction with the Company's filings made with the SEC subsequent to the Original Filing.

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SIDUS SPACE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Assets		
Current assets		
Cash	\$ 4,359,051	\$ 13,710,845
Accounts receivable	918,174	130,856
Accounts receivable - related party	5,811	443,282
Inventory	397,135	127,502
Contract asset	60,932	-
Prepaid and other current assets	3,157,349	1,595,099
Total current assets	8,898,452	16,007,584
Property and equipment, net	1,961,834	775,070
Operating lease right-of-use assets	314,819	504,811
Other	35,483	12,486
Total Assets	\$ 11,210,588	\$ 17,299,951
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and other current liabilities	\$ 1,409,152	\$ 1,845,460
Accounts payable and accrued interest - related party	527,476	588,797
Contract liability	60,932	-
Contract liability - related party	-	63,411
Notes payable - related party	-	1,000,000
Operating lease liability	229,652	261,674
Finance lease liability	-	50,927
Total Current Liabilities	2,227,212	3,810,269
Notes payable - non-current	1,043,486	1,120,051
Notes payable - related party - non-current	-	1,350,000
Operating lease liability - non-current	99,742	262,468
Finance lease liability - non-current	-	97,092
Total Liabilities	3,370,440	6,639,880

Commitments and contingencies

Stockholders' Equity

Preferred Stock: 5,000,000 shares authorized; \$0.0001 par value; no shares issued and outstanding	-	-
Common stock: 110,000,000 authorized; \$0.0001 par value Class A common stock: 100,000,000 shares authorized; 7,936,274 and 6,574,040 shares issued and outstanding, respectively	794	657
Class B common stock: 10,000,000 shares authorized; 10,000,000 shares issued and outstanding	1,000	1,000
Additional paid-in capital	31,968,719	26,074,292
Accumulated deficit	(24,130,365)	(15,415,878)
Total Stockholders' Equity	7,840,148	10,660,071
Total Liabilities and Stockholders' Equity	\$ 11,210,588	\$ 17,299,951

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 1,260,146	\$ 123,182	\$ 4,099,626	\$ 412,823
Revenue - related party	57,101	376,669	864,319	472,482
Total - revenue	1,317,247	499,851	4,963,945	885,305
Cost of revenue	1,402,870	480,997	3,724,467	1,057,137
Gross profit (loss)	(85,623)	18,854	1,239,478	(171,832)
Operating expenses				
Payroll expenses	1,627,241	500,881	3,769,890	943,743
Sales and marketing expenses	192,305	-	394,919	71,111
Lease expense	80,019	81,926	251,370	165,934
Depreciation expense	28,015	8,880	96,611	24,478
Professional fees	681,582	49,680	2,135,796	80,173
General and administrative expense	1,180,633	276,832	3,130,171	436,244
Total operating expenses	3,789,795	918,199	9,778,757	1,721,683
Net loss from operations	(3,875,418)	(899,345)	(8,539,279)	(1,893,515)
Other income (expense)				
Other expense	-	-	-	(504)
Interest expense	(50,880)	(32,766)	(175,208)	(59,459)
Gain on forgiveness of PPP loan	-	309,370	-	633,830
Total other income (expense)	(50,880)	276,604	(175,208)	573,867
Loss before income taxes	(3,926,298)	(622,741)	(8,714,487)	(1,319,648)
Provision for income taxes	-	-	-	-
Net loss	\$ (3,926,298)	\$ (622,741)	\$ (8,714,487)	\$ (1,319,648)
Basic and diluted loss per Common Share	\$ (0.23)	\$ (0.06)	\$ (0.52)	\$ (0.13)
Basic and diluted weighted average number of common shares outstanding	17,178,648	10,836,332	16,886,582	10,281,841

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

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SIDUS SPACE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(UNAUDITED)

For the Three and Nine months ended September 30, 2022

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance - December 31, 2021	6,574,040	\$ 657	10,000,000	\$ 1,000	\$ 26,074,292	\$ (15,415,878)	\$ 10,660,071
Class A common stock issued for service	300,000	30	-	-	1,208,970	-	1,209,000
Net loss	-	-	-	-	-	(2,330,354)	(2,330,354)
Balance - March 31, 2022	6,874,040	\$ 687	10,000,000	\$ 1,000	\$ 27,283,262	\$ (17,746,232)	\$ 9,538,717
Debt forgiveness related party	-	-	-	-	1,624,755	-	1,624,755

Net loss	-	-	-	-	-	(2,457,835)	(2,457,835)
Balance - June 30, 2022	<u>6,874,040</u>	<u>\$ 687</u>	<u>10,000,000</u>	<u>\$ 1,000</u>	<u>\$ 28,908,017</u>	<u>\$ (20,204,067)</u>	<u>\$ 8,705,637</u>
Class A common stock issued for cash	1,062,234	107	-	-	3,060,702	-	3,060,809
Net loss	-	-	-	-	-	(3,926,298)	(3,926,298)
Balance - September 30, 2022	<u>7,936,274</u>	<u>\$ 794</u>	<u>10,000,000</u>	<u>\$ 1,000</u>	<u>\$ 31,968,719</u>	<u>\$ (24,130,365)</u>	<u>\$ 7,840,148</u>

For the Three and Nine months ended September 30, 2021

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance - December 31, 2021	-	\$ -	10,000,000	\$ 1,000	\$ 5,083,280	\$ (11,669,740)	\$ 10,660,071
Net loss	-	-	-	-	-	(199,329)	(199,329)
Balance - March 31, 2021	-	\$ -	10,000,000	\$ 1,000	\$ 5,083,280	\$ (11,869,069)	\$ 10,460,742
Debt forgiveness related party	-	-	-	-	3,392,294	-	3,392,294
Net loss	-	-	-	-	-	(497,578)	(497,578)
Balance - June 30, 2021	-	\$ -	10,000,000	\$ 1,000	\$ 8,475,574	\$ (12,366,647)	\$ 13,355,458
Class A common stock issued for cash	3,000,000	300	-	-	2,694,035	-	2,694,335
Class A common stock issued for services	200,000	20	-	-	199,980	-	200,000
Net loss	-	-	-	-	-	(622,741)	(622,741)
Balance - September 30, 2021	<u>3,200,000</u>	<u>\$ 320</u>	<u>10,000,000</u>	<u>\$ 1,000</u>	<u>\$ 11,369,589</u>	<u>\$ (12,989,388)</u>	<u>\$ 15,627,052</u>

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

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

	Nine Months Ended September 30,	
	2022	2021
Cash Flows From Operating Activities:		
Net loss	\$ (8,714,487)	\$ (1,319,648)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	1,209,000	200,000
Depreciation and amortization	238,859	294,629
Bad debt	-	618
Lease liability amortization	(4,756)	10,391
Gain on forgiveness of PPP loan	-	(633,830)
Changes in operating assets and liabilities:		
Accounts receivable	(787,318)	11,149
Accounts receivable - related party	437,471	175,769
Inventory	(269,633)	149,207
Contract asset	(60,932)	-
Prepaid expenses and other assets	(1,585,247)	(27,130)
Accounts payable and accrued liabilities	(299,165)	162,254
Accounts payable and accrued liabilities - related party	10,939	394,924
Contract liability	(2,479)	62,712
Net Cash used in Operating Activities	<u>(9,827,748)</u>	<u>(518,955)</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(1,425,623)	(30,266)
Net Cash used in Investing Activities	<u>(1,425,623)</u>	<u>(30,266)</u>
Cash Flows From Financing Activities:		
Proceeds from issuance from common stock	3,060,809	2,694,335
Due to shareholder	-	89,872
Proceeds from notes payable	-	307,610
Repayment of notes payable	(213,708)	(16,266)
Payment of lease liabilities	(148,019)	(62,180)
Repayment of notes payable - related party	(797,505)	(250,000)
Net Cash provided by Financing Activities	<u>1,901,577</u>	<u>2,763,371</u>
Net change in cash	(9,351,794)	2,214,150
Cash, beginning of period	13,710,845	20,162
Cash, end of period	<u>\$ 4,359,051</u>	<u>\$ 2,234,312</u>
Supplemental cash flow information		
Cash paid for interest	\$ 19,951	\$ 6,713
Cash paid for taxes	-	-

Non-cash Investing and Financing transactions:

Debt forgiveness related party	\$ 1,624,755	\$ 3,392,294
Note payable - related party issued exchange with due to shareholder	\$ -	\$ 4,000,000

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

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SIDUS SPACE, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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

The Company is a vertically integrated provider of Space-as-a-Service solutions including end-to-end satellite support. The company combines mission critical hardware manufacturing; multi-disciplinary engineering services; satellite design, manufacture, launch planning, mission operations and in-orbit support; and space-based data collection with a vision to enable space flight heritage status for new technologies and deliver data and predictive analytics to both domestic and global customers. We have over ten (10) years of commercial, military and government manufacturing experience combined with space qualification experience, existing customers and pipeline, and International Space Station (ISS) heritage hardware. We support Commercial Space, Aerospace, Defense, Underwater Marine and other commercial and government customers.

In addition, Sidus Space is building a Multi-Mission Satellite constellation using our hybrid 3D printed multipurpose satellite to provide continuous, near real-time Earth Observation and Internet-of-Things (IOT) data for the global space economy. Sidus Space has designed and is manufacturing LizzieSat (LS) for its LEO satellite constellation operating in diverse orbits (28°-98° inclination, 300-650km altitude) as approved by the International Telecommunication Union (ITU) in February 2021. LS is expected to begin operations in 2023. Initial launches are planned via NASA CRS2 program agreement and launch service rideshare contracts. Each LS is 100kg with 20kg dedicated to payloads including remote sensing instruments. Payloads (Sidus or customer owned) can collect data over multiple Earth based locations, record it onboard, and downlink via ground passes to Sidus Mission Control Center (MCC) in Merritt Island, FL.

Leveraging our existing manufacturing operations, flight hardware manufacturing experience and commercial off the shelf subsystem hardware, we believe we can deliver customer sensors to orbit in months, rather than years. In addition, we intend on delivering high-impact data for insights on aviation, maritime, weather, space services, earth intelligence and observation, financial technology (Fintech) and the Internet of Things. While our business has historically been centered on the design and manufacture of space hardware, our expansion into manufacture of spacecraft as well as on-orbit constellation management services and space data applications has led us to innovating in the area of space data applications. We continue to patent our products including our satellites, external platforms and other innovations. Sidus offerings include a broad area of market sub-segments, such as:

- Satellite operators
- Value-added services
- Subsystems and components
- Satellite manufacturer
- Access to space through the ISS and commercial launch provider partnership

Each of these areas and initiatives addresses a critical component of our cradle-to-grave solution and value proposition for the space economy as a Space-as-a-Service company.

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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 nine months ended September 30, 2022, 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, 2021, contained in the Company’s Form 10-K filed on April 5, 2022.

Going Concern

For the nine months ended September 30, 2022 the Company had a net loss of \$8.7 million. We have non-recurring one time expenses of \$1.9 million included in our net loss. For the nine months ended September 30, 2022, the Company had negative cash flow from operating activities of \$9.8 million. We have non-recurring one time expenses of \$700,000 included in our cash flow from operating activities. The Company plans to fund its cash flow needs through current cash on hand and future debt and/or equity financings which it may obtain through one or more public or private equity offerings, debt financings, government or other third-party funding, strategic alliances or collaboration agreements. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate its projects and services which could adversely affect its future business prospects and its ability to continue as a going concern. The Company believes that its current available cash on hand plus additional sources of funding noted previously will be sufficient to fund its planned expenditures and meet the Company’s obligations for at least the one-year period following its condensed consolidated financial statement issuance date.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of our Company and the variable interest entity (“VIE”), Aurea Alas Limited (“Aurea”), of which we are the primary beneficiary. 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 the 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.

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 Condensed Consolidated Financial Statements.

Our revenue is recognized under Topic 606 in a manner that reasonably reflects the delivery of our 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 our revenue category, is summarized below:

Revenues from 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. 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 we satisfy a performance obligation.

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Revenues from fixed price service contracts that contain provisions for milestone payments are recognized at the time of the milestone being met and payment received. This method is used because management considers that the payments are non-refundable unless the entity fails to perform as promised. If the customer terminates the contract, we are entitled only 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 non-refundable, 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. 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 we satisfy a performance obligation.

Contract Assets & Contract Liabilities

The amounts included within contract assets and contract liabilities are related to the company's long-term construction contracts. 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, motor vehicles, computer equipment and capitalized research and development equipment, is recorded at cost reduced by accumulated depreciation and impairment, if any. Depreciation expense is recognized over the assets' estimated useful lives of three - 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.

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. At September 30, 2022 and December 31, 2021, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

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The condensed 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), are included in the Company's condensed 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 September 30, 2022 and December 31, 2021, Aurea's assets and liabilities are as follows:

	September 30, 2022	December 31, 2021
Assets		
Cash	\$ 62,713	\$ 67,754
Prepaid and other current assets	6,656	10,585
	<u>\$ 69,369</u>	<u>\$ 78,339</u>
Liability		
Accounts payable and other current liabilities	<u>\$ 22,141</u>	<u>\$ 63,091</u>

For the nine months ended September 30, 2022 and 2021, Aurea's net loss was \$03,021 and \$58,692, respectively.

Note 4. Prepaid expense and Other current assets

As of September 30, 2022 and December 31, 2021, prepaid expense and other current assets are as follows:

	September 30, 2022	December 31, 2021
Prepaid insurance	\$ 313,822	\$ 1,520,016
Prepaid components	1,280,231	-
Prepaid satellite services & licenses	1,343,750	-
Other prepaid expense	213,546	68,178
VAT receivable	6,000	6,905
	<u>\$ 3,157,349</u>	<u>\$ 1,595,099</u>

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During the nine months ended September 30, 2022 and 2021, the Company recorded interest expense of \$8,128 and \$0 related to financing of our prepaid insurance policies.

As of September 30, 2022 and December 31, 2021, other prepaid expense included software subscriptions of \$109,000 and \$23,000, down payment on new machinery of \$53,000 and \$0, prepaid rent of \$25,000 and \$25,000, property insurance of \$0 and \$19,000, and license fees of \$23,000 and \$0, respectively.

Note 5. Inventory

As of September 30, 2022 and December 31, 2021, inventory is as follows:

	September 30, 2022	December 31, 2021
Work in Process	<u>\$ 397,135</u>	<u>\$ 127,502</u>

Note 6. Property and Equipment

At September 30, 2022 and December 31, 2021, property and equipment consisted of the following:

	September 30, 2022	December 31, 2021
Office equipment	\$ 17,061	\$ 17,061
Computer equipment	14,907	14,907
Vehicle	28,143	28,143
Software	158,212	93,012
Machinery	3,280,911	3,280,911
Leasehold improvements	372,867	198,645
R&D - Software	386,182	-
Construction in progress	950,630	150,611
	<u>5,208,913</u>	<u>3,783,290</u>
Accumulated depreciation	<u>(3,247,079)</u>	<u>(3,008,220)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 1,961,834</u>	<u>\$ 775,070</u>

Depreciation expense of property and equipment for the nine months ended September 30, 2022 and 2021 is \$238,859 and \$294,629, respectively, of which \$142,248 and \$270,151, respectively, are included in cost of revenue.

During the nine months ended September 30, 2022 and 2021, the Company purchased assets of \$1,425,623 and \$30,266.

Note 7. Accounts payable and other current liabilities

At September 30, 2022 and December 31, 2021, accounts payable and other current liabilities consisted of the following:

	September 30, 2022	December 31, 2021
Accounts payable	\$ 553,181	\$ 225,271
Payroll liabilities	565,566	220,914
Credit cards	64,899	44,510
Other payable	70,754	23,016
Insurance payable	154,752	1,331,749
	<u>\$ 1,409,152</u>	<u>\$ 1,845,460</u>

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Note 8. Contract assets and liabilities

At September 30, 2022 and December 31, 2021, contract assets and contract liabilities consisted of the following:

	September 30, 2022	December 31, 2021
Contract assets		
Revenue recognized in excess of amounts paid or payable (contracts receivable) to the company on uncompleted contracts (contract asset), excluding retainage	\$ -	\$ -
Retainage included in contract assets due to being conditional on something other than solely passage of time	60,932	-
Total contract assets	<u>\$ 60,932</u>	<u>\$ -</u>
Contract liabilities		
Payments received or receivable (contracts receivable) in excess of revenue recognized on uncompleted contracts (contract liability), excluding retainage	\$ -	\$ -
Retainage included in contract liabilities due to being conditional on something other than solely passage of time	60,932	-
Total contract liabilities	<u>\$ 60,932</u>	<u>\$ -</u>

Note 9. Leases

Operating lease

We have a noncancelable operating lease entered into in November 2016 for our office facility that expired in July 2021 and has renewal options to May 2023. The monthly "Base Rent" is \$10,392 and the Base Rent is increased by 2.5% each year. During the year ended December 31, 2021, the Company exercised its option and extended the lease to May 31, 2023. As of September 30, 2022 and December 31, 2021, the remaining right of use asset and lease liability was \$5,419 and \$89,268, and \$178,408 and \$185,210 respectively.

In May 2021, we entered into a new lease agreement for our office and warehouse space that expires in May 2024. The Company shall have the option to terminate the lease after 12 months and 24 months from the commencement date. The monthly "Base Rent" is \$11,855 and the Base Rent may be increased by 2.5% each year. During the year ended December 31, 2021, the Company, on assumption of the lease, recognized a right of use asset and lease liability of \$399,372. As of September 30, 2022, the remaining right of use asset and lease liability was \$229,400 and \$240,126, respectively.

We recognized total lease expense of approximately \$251,370 and \$165,934 for the nine months ended September 30, 2022 and 2021, respectively, primarily related to operating lease costs paid to lessors from operating cash flows. As of September 30, 2022 and December 31, 2021, the Company recorded security deposit of \$10,000.

Future minimum lease payments under operating leases that have initial noncancelable lease terms in excess of one year at September 30, 2022 were as follows:

	Total
Year Ended December 31,	
2022	\$ 70,367
2023	205,987
2024	63,835
Thereafter	-
	<u>340,189</u>
Less: Imputed interest	(10,795)
Operating lease liabilities	<u>329,394</u>
Operating lease liability - current	229,652
Operating lease liability - non-current	<u>\$ 99,742</u>

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The following summarizes other supplemental information about the Company's operating lease as of September 30, 2022:

Weighted average discount rate	4.83%
Weighted average remaining lease term (years)	1.40

Finance lease

The Company leases machinery and office equipment under non-cancellable finance lease arrangements. The term of those capital leases is at the range from 69 months to 83 months and annual interest rate is at the range from 4% to 5%.

During the nine months ended September 30, 2022, the Company fully paid off the finance lease.

Note 10. Notes Payable

Decathlon Note

On December 1, 2021, we entered into a Loan Assignment and Assumption Agreement, or Loan Assignment, with Decathlon Alpha IV, L.P., or Decathlon and Craig Technical Consulting, Inc (“CTC”) pursuant to which we assumed \$1,106,164 in loans (the “Decathlon Note”) to CTC by Decathlon. In connection with our assumption of the Decathlon Note, CTC reduced the principal of the Note Payable – related party by \$1.4 million. The Company recorded a reclassification of \$1,106,164 from Note Payable – related party to Note payable – non- current (Decathlon note) and recorded forgiveness of note payable – related party of \$293,836 during the year ended December 31, 2021.

Management believes that the assumption of the Decathlon Note from CTC is in our best interests because in connection therewith, Decathlon released us from a cross-collateralization agreement it was a party to with CTC for a loan of a greater amount. Also in connection with the Loan Assignment on December 3, 2021, we entered into a Revenue Loan and Security Agreement, or RLSA, with Decathlon and our CEO, Carol Craig, pursuant to which we pay interest based on a minimum rate of 1 times the amount advanced and make monthly payments based on a percentage of our revenue calculated as an amount equal to the product of (i) all revenue for the immediately preceding month multiplied by (ii) the Applicable Revenue Percentage, defined as 4% of revenue for payments due during any month. The Decathlon Note is secured by our assets and is guaranteed by CTC and matures the earliest of: (i) December 9, 2023, (ii) immediately prior to a change of control, or (iii) upon an acceleration of the obligations due to a default under the RLSA. As a result, the Company recorded the forgiveness of note payable-related party of \$293,836 and the reclass of \$1,106,164 from Note Payable – related party to Note Payable.

During the nine months ended September 30, 2022, the Company recorded interest expense of \$37,143 and repaid principal of \$213,708 and as of September 30, 2022 and December 31, 2021, the Company recorded principal and accrued interest of \$1,043,486 and \$1,120,051 on the balance sheet, respectively.

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Note 11. Related Party Transactions

Revenue and Accounts receivable – Related Party

The Company recognized revenue of \$864,319 and \$472,482 for the nine months ended September 30, 2022 and 2021, respectively, accounts receivable of \$,811 and \$443,282, respectively, and contract liabilities of \$0 and \$63,411 as of September 30, 2022 and December 31, 2021, respectively, from contracts entered into by Craig Technical Consulting, Inc, its majority shareholder, and subcontracted to the Company for four customers.

Accounts payable and accrued interest – related party

At September 30, 2022 and December 31, 2021, accounts payable and accrued interest owed to CTC, consisted of the following:

	September 30, 2022	December 31, 2021
Accounts payable	\$ 527,476	\$ 534,652
Accrued interest	-	54,145
	<u>\$ 527,476</u>	<u>\$ 588,797</u>

Note payable – related party

On May 1, 2021, the Company converted \$4 million advanced to the Company by Craig Technical Consulting, Inc., our principal shareholder, into a related party Note Payable. The remaining \$ 3,473,693, that was advanced to the Company was forgiven and recorded as contributed capital. The principal balance of this Note outstanding (together with any accrued, but unpaid interest thereon) shall bear interest at a per annum interest rate equal to the long term Applicable Federal Rate (as such term is defined in Section 1274(d) of the Internal Revenue Code of 1986, as amended), and matures on September 30, 2025, and shall be repaid in the amount of \$250,000 every quarter for four (4) years beginning on Oct 1, 2021.

On December 1, 2021, in connection with the assumption of the Decathlon Note, the Company reduced the principal of the Note Payable – related party by recording a reclassification of \$1,106,164 from Note Payable – related party to Note payable – non- current (Decathlon note) and recorded forgiveness of note payable of \$93,836.

During the nine months ended September 30, 2022, the Company recorded interest expense of \$8,115.

During the nine months ended September 30, 2022, the Company repaid \$797,505 and the note payable and accrued interest was forgiven by Craig Technical Consulting, Inc. The Company recorded debt forgiveness of note payable and accrued interest of \$1,624,755 to additional paid in capital.

As of September 30, 2022 and December 31, 2021, the Company had note payable – related party current of \$0 and \$1,000,000 and non-current of \$0 and \$1,350,000, respectively.

Sublease

On August 1, 2021, the Company entered into a Sublease Agreement with its related party and Majority Shareholder, Craig Technical Consulting, Inc. (“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 Lease 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. During the nine months ended September 30, 2022, the Company recorded \$42,226 to lease expense.

Note 12. Commitments and Contingencies

License Agreement

The condensed consolidated financial statements include Aurea Alas Limited, which is a variable interest entity of which we are the primary beneficiary (see Note 4). 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 constellation, 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.

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Note 13. Stockholders' Equity

Authorized Capital Stock

On August 31, 2021, the Company filed an amendment to its Amended and Restated Certificate of Incorporation with the State of Delaware to authorize the Company to issue 36,000,000 shares, consisting of 25,000,000 shares of Class A Common Stock, 10,000,000 shares of Class B Common Stock and 1,000,000 shares of Preferred Stock. The Class B Common Stock is entitled to 10 votes for every 1 vote of the Class A Common Stock.

On December 16, 2021, the Company filed an amendment to its Amended and Restated Certificate of Incorporation with the State of Delaware to authorize the Company to issue 115,000,000 shares, consisting of 100,000,000 shares of Class A Common Stock, 10,000,000 shares of Class B Common Stock and 5,000,000 shares of Preferred Stock. The Class B Common Stock is entitled to 10 votes for every 1 vote of the Class A Common Stock.

In April 2021, as part of the share conversion, the Company converted the 100% membership interest of Craig Technical Consulting, Inc. into 85,000 shares of Common Stock, par value \$0.0001, of the Company. The Company has reflected this conversion for all periods presented.

Class A Common Stock

The Company had 7,936,274 and 6,574,040 shares of Class A common stock issued and outstanding as of September 30, 2022 and December 31, 2021, respectively.

Committed Equity Facility

On August 10, 2022, the Company entered into a Common Stock Purchase Agreement (the "Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") with B. Riley Principal Capital II, LLC ("B. Riley"). Pursuant to the Purchase Agreement, subject to the satisfaction of the conditions set forth in the Purchase Agreement, the Company will have the right to sell to B. Riley, up to the lesser of (i) \$30,000,000 of newly issued shares (the "Shares") of the Company's Class A common stock, par value \$0.0001 per share (the "Common Stock"), and (ii) the Exchange Cap (as defined below) (subject to certain conditions and limitations contained in the Purchase Agreement), from time to time during the term of the Purchase Agreement. Sales of Common Stock pursuant to the Purchase Agreement, and the timing of any sales, are solely at the option of the Company, and the Company is under no obligation to sell any securities to B. Riley under the Purchase Agreement.

Under the applicable Nasdaq rules, in no event may the Company issue to B. Riley under the Purchase Agreement more than 3,373,121 shares of Common Stock, which number of shares is equal to approximately 19.99% of the shares of the Common Stock outstanding immediately prior to the execution of the Purchase Agreement (the "Exchange Cap"), unless the Company obtains stockholder approval to issue shares of Common Stock in excess of the Exchange Cap in accordance with applicable Nasdaq rules. The Exchange Cap is not applicable to issuances and sales of common stock pursuant to Purchases and Intraday Purchases that we may effect pursuant to the Purchase Agreement, to the extent such shares of common stock are sold in such Purchases and Intraday Purchases (as applicable) at a price equal to or in excess of the applicable "minimum price" (as defined in the applicable listing rules of the Nasdaq) of the common stock, calculated at the time such Purchases and Intraday Purchases (as applicable) are effected by us under the Purchase Agreement, if any, as adjusted such that the Exchange Cap limitation would not apply under applicable Nasdaq rules. Moreover, the Company may not issue or sell any shares of Common Stock to B. Riley under the Purchase Agreement which, when aggregated with all other shares of Common Stock then beneficially owned by B. Riley and its affiliates (as calculated pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Rule 13d-3 promulgated thereunder), would result in B. Riley beneficially owning more than 4.99% of the outstanding shares of Common Stock.

During the nine months ended September 30, 2022, the Company issued 1,362,234 shares of common stock as follows:

- 300,000 restricted shares for consulting services valued at \$1,209,000, pursuant to the Sidus Space, Inc. 2021 Omnibus Equity Incentive Plan.
- 971,867 shares issued under the Purchase Agreement for aggregate proceeds of \$3,435,809, net of broker fees, 90,367 commitment shares, and issuance costs of \$375,000, for a total amount of \$3,060,809.

Class B Common Stock

The Company had 10,000,000 shares of Class B common stock issued and outstanding as of September 30, 2022 and December 31, 2021.

Note 14. Subsequent Events

Subsequent to September 30, 2022, the Company had the following subsequent events:

56,678 shares issued under the Purchase Agreement for aggregate proceeds of \$105,397, net of fees and expenses.

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

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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 annual 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 condensed 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, 2021, 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

Founded in 2012, we are a vertically integrated provider of Space-as-a-Service solutions including end-to-end satellite support. The company combines mission critical hardware manufacturing; multi-disciplinary engineering services; satellite design, manufacture, launch planning, mission operations and in-orbit support; and space-based data collection with a vision to enable space flight heritage status for new technologies and deliver data and predictive analytics to both domestic and global customers. We have over ten (10) years of commercial, military and government manufacturing experience combined with space qualification experience, existing customers and pipeline, and International Space Station (ISS) heritage hardware.

In addition, we are building a Multi-Mission Satellite constellation using our hybrid 3D printed multipurpose satellite to provide continuous, near real-time Earth Observation and Internet-of-Things (IOT) data for the global space economy. We have designed and are manufacturing LizzieSat (LS) for our LEO satellite constellation operating in diverse orbits (28°-98° inclination, 300-650km altitude) as approved by the International Telecommunication Union (ITU) in February 2021. LS is expected to begin operations in 2023. Initial launches are planned via NASA CRS2 program agreement and launch service rideshare contracts. Each LS is 100kg with 20kg dedicated to payloads including remote sensing instruments. Payloads (Sidus or customer owned) can collect data over multiple Earth based locations, record it onboard, and downlink via ground passes to Sidus Mission Control Center (MCC) in Merritt Island, FL.

Leveraging our existing manufacturing operations, flight hardware manufacturing experience and commercial off the shelf subsystem hardware, we believe we can deliver customer sensors to orbit in months, rather than years. In addition, we intend on delivering high-impact data for insights on aviation, maritime, weather, space services, earth intelligence and observation, financial technology (Fintech) and the Internet of Things. While our business has historically been centered on the design and manufacture of space hardware, our expansion into manufacture of spacecraft as well as on-orbit constellation management services and space data applications has led us to innovating in the area of space data applications. We continue to patent our products including our satellites, external platforms and other innovations. Sidus offerings include a broad area of market sub-segments, such as:

- Satellite operators
- Value-added services
- Subsystems and components
- Satellite manufacturer
- Access to space through the ISS and commercial launch provider partnership

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Each of these areas and initiatives addresses a critical component of our cradle-to-grave solution and value proposition for the space economy as a Space-as-a-Service company. The majority of our revenues to date have been from our space related hardware manufacturing, however, 2022 revenue to date includes revenue related to our multi-mission constellation and our hybrid 3D printed LizzieSat satellite.

We support a broad range of international and domestic government and commercial companies with its hardware manufacturing including the Department of State, the Department of Defense, NASA, Collins Aerospace, Lockheed Martin, Teledyne Marine, Bechtel, and L3Harris in areas that include launch vehicles, satellite hardware, and autonomous underwater vehicles. Planned services that benefit not only current customers but additional such as Mission Helios include proving out space technologies and delivering space-based data that can provide critical insight for agriculture, commodities tracking, disaster assessment, illegal trafficking monitoring, energy, mining, oil and gas, fire monitoring, classification of vegetation, soil moisture, carbon mass, Maritime AIS, Aviation ADS, weather monitoring, and space services. We plan to own and operate one of the industry's leading U.S. based low earth orbit ("LEO") small satellite ("smallsat" or "smallsats") constellations. Our operating strategy is to continue to enhance the capabilities of our satellite constellation, to increase our international and domestic partnerships and to expand our analytics offerings in order to increase the value we deliver to our customers. Our two operating assets—our satellite constellation and hardware manufacturing capability—are mutually reinforcing and are a result of years of heritage and innovation.

We plan to capitalize on a secular market shift away from static/low frequency satellite imaging and geospatial solutions toward on-demand access of real-time geospatial intelligence. Our strategy is to capitalize on the rapid growth and deployment of millions of low-cost GPS enabled terrestrial, IoT, and space-based sensors to provide data to global customers in near real-time. As we are now entering a new commercial space age, the number of commercial sensors on orbit has expanded from a handful of large expensive commercial satellites just a few years ago to now hundreds and in the near future thousands of sensors that will ultimately change the way we see and understand our world. Our mission is to enable our existing and future customers to prove out new technologies for the space ecosystem rapidly and at low cost and also have access to space-based data on-demand for any problem set or business need. We believe we can deliver this at a lower cost than legacy providers due to our vertically integrated cost-efficiencies, capital efficient constellation design, and improved pricing models with improved data accessibility. We believe the combination of the proven flight heritage and years of industry experience of a traditional space company with the disruptive innovation of a new space startup such as our 3D printing of spacecraft and focus on intellectual property makes us very well positioned in the global space economy.

Recent Developments

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.

Growing our experienced space hardware operations

We are on track to grow our space and defense hardware operations, with a goal of expanding to two and a half shifts with an increased customer base in the future. With current customers in space, marine, and defense industries, our contract revenue is growing, 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. Customers supported include Boeing, Lockheed Martin, Northrop Grumman, Dynetics/Leidos, Blue Origin, United Launch Alliance, Collins Aerospace, L3Harris, OneWeb and Space Systems Loral/Maxar. Various products have been manufactured 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 Rockets, Ground, Flight and Satellite systems. In June, Sidus was notified that it was selected as a teammate with Collins Aerospace through the life cycle of the program as a major subcontractor during the period of performance of the NASA xEVAS contract and other contracts with independent commercial entities. The Exploration Extravehicular Activity Services, or xEVAS Program is expected to include the design, development, production, hardware processing, and sustainment of an integrated Extravehicular Activity (EVA) capability that includes a new Spacesuit and ancillary hardware, such as Vehicle Interface Equipment and EVA tools. This EVA capability is to be provided as a service for the NASA International Space Station (ISS), Artemis Program (Gateway and Human Landing System), and Commercial Space missions.

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Commencing and Expanding Commercial Satellite Operations

Our goal is to help customers 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 data verticalization strategy specializing on a key sectors or problem set, we believe that flexibility in production, low-cost bespoke design and 'Bringing Space Down to Earth' for consumers will provide a scalable model for growth. Preliminary Design Review (PDR) was successfully completed in Q1 2022. Initial contracts for the ISS launch were signed in December of 2021 with NASA and Mission Helios, a blockchain company. We are in active discussions with numerous potential customers, including domestic and international government agencies, for payload hosting and data related to our planned satellite launches over the next 24 months.

We filed for X-band and S-band radio frequencies licensing in February 2021 and were granted approval through a published filing by the ITU on April 4, 2021. Such licenses are held through Aurea Alas, Ltd., an Isle of Man company, which is a VIE to us. Our filing contains approved spectrum use for multiple X-Band and S-Band frequencies and five different orbital planes. Additionally, we have filed for a NOAA license related to our initial launch. Any delays in commencing our commercial launch operations, including due to 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.

Our Vertically Integrated Space Platform

We are designing, developing, manufacturing, and plan to operate a constellation of proprietary smallsats. These satellites are designed to for multiple missions and customers and form the foundation of our satellite platform. Weighing approximately 100 kilograms each, these hybrid 3D printed, modular satellites are more functional than cubesats and nanosatellites and less expensive to manufacture than the larger satellites in the 200-600kg range. Launched into a LEO and operating in diverse orbits (28°-98° inclination, 300-650km altitude) as approved by the International Telecommunication Union (ITU) in February 2021, our constellation will be optimally distributed to provide maximum coverage for our customers in the government and commercial sectors. With six initial globally distributed ground stations, our constellation is designed for rapid tasking, collection, and delivery of high-revisit, high-resolution imagery and data analytics. Our planned average daily revisit rate, from dawn to dusk, is 10 times a day or approximately 90 minutes. As our satellite constellation grows, the amount of data we collect will scale, and we expect our revisit rate will improve.

Our cost efficient smallsats are designed from the ground-up to optimize performance per unit cost. We can integrate technologies and deliver data on demand at lower costs than legacy providers due to our vertical integration, use of COTS proven systems, cost-efficiencies, capital efficient constellation design, and adaptable pricing models.

We are manufacturing our satellites at our Cape Canaveral facility. Our current configuration and facility is designed to manufacture 5-10 satellites a 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 that we are able to 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, to provide turn-key delivery of entire constellations

offer “concept to constellation” in months instead of years. Specifically, our Space-as-a-Service offerings encompass all aspects of hosted satellite and constellation services, including hosting customer payloads onto our satellites, and delivering services to customers from our space platform. These services are expected to allow customers to focus on developing innovative payloads rather than having to design or develop complete satellite buses or satellites or constellations, which we will provide, along with ancillary services that are likely to include telemetry, tracking and control (“TT&C”), communications, processing, as well as software development and maintenance. Our patented 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.

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Revenue Generation

We generate revenue by selling payload space on our satellite platform, providing engineering and systems integration services to strategic customers on project-by-project basis, and manufacturing space hardware. Additionally, we intend to add to our revenue by selling geospatial data captured through our constellation. This support is typically contracted to both commercial and government customers under fixed price contracts and often includes other services.

Lowering Manufacturing Cost and Schedule

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

Our satellite production process is based around normally readily available materials and COTS systems and is highly scalable. We believe that our ongoing innovations in design and manufacturing will further reduce our per satellite costs. We invested approximately \$16 million in our business and manufacturing facility through September 30, 2022, and we expect the facility will be at full capacity by the end of 2024. We anticipate that this will enable us to increase the pace of satellite manufacturing and launch cadence. While we believe that our estimate is reliable, the development of our manufacturing facility may take longer than planned, including due to delays in obtaining federal and state regulatory approvals of our final construction plans or any changes that are required to be made to those plans. Any delays in our achieving full manufacturing capacity could adversely impact our results and growth plans.

Environmental, social, and corporate governance

While Environmental, Social and Governance (ESG) reporting is not mandatory, we are developing an ESG policy that will implement the tracking of several indicators we believe are critical to ensure we are doing our part to continue sustainable growth and maximize shareholder value. We have been in business for ten 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 recently started to formalize this commitment, providing tangible benefits back to the community that supports us.

Environmental

As the global awareness and importance of environmental sustainability increases, we recognize our duty to implement developments that not only facilitate the evolution of aerospace solutions, but also promote environmentally conscious protocols yielding measurable results toward the conservation of our planet. A key component of our focus on sustainability is found in our utilization of in-house 3D printing technology as a primary manufacturing asset. The development of 3D printing is host to a variety of manufacturing improvements but perhaps the chief benefits are seen in its reduction of environmental strain. Our LizzieSat constellation will contribute to this reduced impact as a portion of the satellite bus is 3D printed.

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Manufacturing parts with a 3D printer reduces overall energy consumption and waste, reducing our carbon footprint compared to its predecessor of conventional machining. Additional benefits include the removal of waste and unnecessary energy associated with conventional machining, often resulting in the production of more scrapped material per part than the material that part is composed of. While these are the biggest impacts, the effects to can be seen in smaller scales. Due to the massive reduction in weight 3D printing provides, energy spent using cargo ships and commercial vehicles for transportation sees a significant decrease. This reduction in weight is accompanied by a reduction in space requirements for housing the material, cutting out the need for large storage spaces and the energy needed to maintain those facilities.

Looking toward the future, the potential for exciting developments in the field of sustainability are of utmost importance. These developments include the use of more biodegradable and/or recycled materials that can be used to manufacture parts and further benefit the environment. Until these developments occur, we are doing our part through the practice of recycling roughly 5,000 lbs. of metal a year coupled with the recycling of any used oil and coolant. As technologies continue to advance, we remain dedicated to preserving the Earth and continuing to evolve with newer technologies as they develop.

Social

We recognize the importance of our employees, the community with which we are situated as well as the global community. This recognition has led us to implement a variety of actions that support society from the individual to global scale.

Employee well-being is at the heart of our commitment to provide a positive impact on all. With our core values being rooted in a familial and communal structure, we uphold these values by offering our employees excellent benefits, programs, educational assistance, and insurance of a safe and healthy work environment for all employees. We understand the importance of diversity in the workplace because it was built by diversity. Being a service-disabled, veteran-owned, woman-owned, and Hispanic minority-owned business reflects the open and diverse environment we provide to all who are a part of it.

Community on all scales is fundamental to our success, and because of that, we are committed to leaving a lasting impact on the community that supports us. This commitment brought forth Sidus Serves, our way of actively improving life on earth. Community involvement is key to our culture, and we believe in the power of volunteerism. We actively invest in the communities of our employees’ by supporting K-12 education, providing military and veteran assistance, environmental stewardship, and volunteering at local non-profit organizations. We, and our employees are passionate about the improvement of their communities through individual efforts and partnership with local, regional, and national organizations. We are proud to support local STEM programs and schools in local communities. We are focused on bridging the gap in the aerospace field by supporting young professionals through establishing partnerships with several organizations dedicated to providing STEM learning opportunities to a diverse array of students.

Governance

Our governance structure is designed to promote transparency, efficiency, and ethics. Through a qualified and diverse chain of command, we are confident that our decision making will carry out performance at the highest degree. Our Board of Directors consists of professionals with strong executive experience, business strategy and leadership skills. Our board consists of 3 independent directors alongside our CEO and CTO including 2 women.

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Results of Operations

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

Three Months Ended September 30, 2022 compared to the Three Months Ended September 30, 2021

	Three Months Ended September 30,		Change	%
	2022	2021		
Revenue	\$ 1,317,247	\$ 499,851	\$ 817,396	164%
Cost of revenue	1,402,870	480,997	921,873	192%
Gross Profit (Loss)	(85,623)	18,854	(104,477)	(554)%
Gross Profit (Loss) Percentage	(7)%	4%		
Operating expense	3,789,795	918,199	2,871,596	313%
Other income (expense)	(50,880)	276,604	(327,484)	(118)%
Net loss	\$ (3,926,298)	\$ (622,741)	\$ (3,303,557)	530%

Revenue

The increase in non-related party revenue of 923% for the three months ended September 30, 2022 to approximately \$1.26 million as compared to approximately \$123,000 for the three months ended September 30, 2021 was primarily driven by increased sales staff which allowed for more aggressive pursuit of customers as well as an increase in our government contracts and manufacturing line. Contracts increased as a result of the timing of industry needs, and proposals submitted. The decrease in revenue from related parties of 85% to approximately \$57,101 for the three months ended September 30, 2022 from approximately \$377,000 for the three months ended September 30, 2021 was driven by smaller contracts our related party entered into with its customers, resulting in it outsourcing less of its work to us.

Cost of Revenue

The increase in cost of revenue of 192% for the three months ended September 30, 2022 to approximately \$1.4 million as compared to approximately \$481,000 for the three months ended September 30, 2021 was driven by increased materials purchases and other direct costs related to our increased revenue. As a manufacturing entity, materials and other direct costs are a percentage of revenue. The percent change in the cost of revenue was higher than the percent increase in revenue due to a change in contract mix, and increased materials purchases as well as continued supply chain impacts.

Gross Profit (Loss)

The decrease in our gross profit of approximately \$104,000 or 554% to a gross loss of approximately \$86,000 for the three months ended September 30, 2022 as compared to a gross profit of approximately \$19,000 for the three months ended September 30, 2021 is primarily attributable to mix of contracts and higher supply chain related costs.

Operating Expenses

	Three Months Ended September 30,		Change	%
	2022	2021		
Operating expenses				
Payroll expenses	\$ 1,627,241	\$ 500,881	\$ 1,126,360	225%
Sales and marketing expenses	192,305	-	192,305	100%
Lease expense	80,019	81,926	(1,907)	(2)%
Depreciation expense	28,015	8,880	19,135	215%
Professional fees	681,582	49,680	631,902	1272%
General and administrative expense	1,180,633	276,832	903,801	326%
Total	\$ 3,789,795	\$ 918,199	\$ 2,871,596	313%

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Overall operating expenses increased by \$2.9 million to approximately \$3.79 million for the three months ended September 30, 2022 as compared to approximately \$918,000 for the three months ended September 30, 2021. The increase is primarily attributed to an increase in our payroll expenses to approximately \$1.63 million from \$501,000 for the three months ended September 30, 2021, as a result of an expansion of our staff, an increase in sales and marketing expenses to \$192,000 from \$0 primarily driven by increased general marketing and investor relations consulting expense, an increase in our professional fees from approximately \$50,000 to approximately \$682,000, which includes increased legal and accounting fees as a result of being a public company as well as a \$600,000 one-time banking advisory fee, and an increase in our other general and administrative costs to \$1.2 million from \$277,000 for the prior year, which is related to the increase in the size of our Company as well increased insurance, regulatory and other costs associated with being a public company.

Total other income (expense)

During the three months ended September 30, 2022, we had interest expense of \$50,880, consisting of \$44,700 related to interest on notes payable, \$6,126 related to the financing of our insurance policies, and \$54 for interest related to credit cards.

During the three months ended September 30, 2021, we had other income of \$309,000 for forgiveness of PPP loan and interest expense of \$33,000.

Nine Months Ended September 30, 2022 compared to the Nine Months Ended September 30, 2021

Nine Months Ended
September 30,

	2022	2021	Change	%
Revenue	\$ 4,963,945	\$ 885,305	\$ 4,078,640	461%
Cost of revenue	3,724,467	1,057,137	2,667,330	252%
Gross Profit (Loss)	1,239,478	(171,832)	1,411,310	821%
Gross Profit Percentage	25%	(19)%		
Operating expense	9,778,757	1,721,683	8,057,074	468%
Other expense	(175,208)	573,867	(749,075)	(131)%
Net loss	<u>\$ (8,714,487)</u>	<u>\$ (1,319,648)</u>	<u>\$ (7,394,839)</u>	<u>560%</u>

Revenue

The increase in non-related party revenue of 893% for the nine months ended September 30, 2022 to approximately \$4.1 million as compared to approximately \$413,000 for the nine months ended September 30, 2021 was primarily driven by increased sales staff which allowed for more aggressive pursuit of customers. Contracts increased as a result of the timing of industry needs, and proposals submitted. The increase in revenue from related parties of 83% to approximately \$864,000 for the nine months ended September 30, 2022 from approximately \$472,000 for the nine months ended September 30, 2021 was driven by the mix of contracts as well as larger contracts our related party entered into with its customers, resulting in it outsourcing more of its work to us.

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Cost of Revenue

The increase in cost of revenue of 252% for the nine months ended September 30, 2022 to \$3.72 million as compared to approximately \$1.06 million for the nine months ended September 30, 2021 was driven by increased materials purchases and other direct costs related to our increased revenue. As a manufacturing entity, materials and other direct costs are a percentage of revenue. The percent change in the cost of revenue was smaller than the percent increase in revenue due to the mix of contracts and an increase in our higher margin Satellite-as-a-Service business line.

Gross Profit (Loss)

The increase in our gross profit of approximately \$1.41 million or 821% to a gross profit of approximately \$1.24 million for the nine months ended September 30, 2022 as compared to a gross loss of approximately \$172,000 for the nine months ended September 30, 2021 is primarily attributable to an increase in revenue, the mix of contracts and an increase in our higher margin Satellite-as-a-Service business line.

Operating Expenses

	Nine Months Ended September 30,		Change	%
	2022	2021		
Operating expenses				
Payroll expenses	\$ 3,769,890	\$ 943,743	\$ 2,826,147	299%
Sales and marketing expenses	394,919	71,111	323,808	455%
Lease expense	251,370	165,934	85,436	51%
Depreciation expense	96,611	24,478	72,133	295%
Professional fees	2,135,796	80,173	2,055,623	2564%
General and administrative expense	3,130,171	436,244	2,693,927	618%
Total	<u>\$ 9,778,757</u>	<u>\$ 1,721,683</u>	<u>\$ 8,057,074</u>	<u>468%</u>

Overall operating expenses increased by \$8.1 million to approximately \$9.78 million for the nine months ended September 30, 2022 as compared to approximately \$1.72 million for the nine months ended September 30, 2021. The increase is primarily attributed to an increase in our payroll expenses to \$3.77 million from \$944,000 for the nine months ended September 30, 2021, as a result of an expansion of our staff, an increase in sales and marketing expenses to \$395,000 from \$71,000 primarily driven by increased general marketing and investor relations consulting expense, an increase in our lease expenses to \$251,000 from \$166,000 as a result of our leasing more space for our business expansion, an increase in our professional fees from approximately \$80,000 to approximately \$2.14 million, which includes a one-time charge of \$1.2 million in stock-based consulting fees for investor relations, a \$600,000 one-time banking advisory fee as well as increased legal and accounting fees as a result of being a public company, and an increase in our other general and administrative costs to \$3.13 million from \$436,000 for the prior period, which is related to an increase in the size of our Company as well as increased insurance, regulatory and other costs associated with being a public company.

Total other income (expense)

During the nine months ended September 30, 2022, we had interest expense of \$175,000, consisting of \$137,000 related to interest on notes payable and \$18,000 related to notes payable – related party, \$18,000 related to the financing of our insurance policies, \$1,300 related to financing of our equipment leases which were paid off in the second quarter and \$500 for interest related to credit cards.

During the nine months ended September 30, 2021, we had other income of \$634,000 for forgiveness of PPP loan, other expense of \$500, and interest expense of \$59,500.

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Liquidity and Capital Resources

The following table provides selected financial data about us as of September 30, 2022, and December 31, 2021.

	September 30, 2022	December 31, 2021	Change	%
Current assets	\$ 8,898,452	\$ 16,007,584	\$ (7,109,132)	(44)%
Current liabilities	\$ 2,227,212	\$ 3,810,269	\$ (1,583,057)	(42)%
Working capital (deficiency)	<u>\$ 6,671,240</u>	<u>\$ 12,197,315</u>	<u>\$ (5,526,075)</u>	<u>(45)%</u>

We had an accumulated deficit of \$24.1 million and working capital of \$6.7 million as of September 30, 2022. As of September 30, 2022, we had \$4.4 million of cash.

As of September 30, 2022 and December 31, 2021, the working capital surplus is due to funds raised through equity sales in relation to our initial public offering in December, 2021 and funds raised through financing in relation to our equity line of credit.

Current assets decreased by \$7.1 million to \$8.9 million as of September 30, 2022 from \$16.0 million as of December 31, 2021. The decrease is primarily attributable to incurring a net loss during the first nine months as a result of our Company's expansion in operations.

Current liabilities decreased by approximately \$1.6 million to approximately \$2.2 million as of September 30, 2022 from \$3.8 million as of December 31, 2021. The decrease was primarily the result of the forgiveness by Craig Technical Consulting, Inc. of Notes payable - related party and related interest of \$1.6 million.

For the nine months ended September 30, 2022 the Company had a net loss of \$8.7 million. We have non-recurring one time expenses of \$1.9 million included in our net loss. For the nine months ended September 30, 2022, the Company had negative cash flow from operating activities of \$9.8 million. We have non-recurring one time expenses of \$700,000 included in our cash flow from operating activities. The Company plans to fund its cash flow needs through current cash on hand and future debt and/or equity financings which it may obtain through one or more public or private equity offerings, debt financings, government or other third-party funding, strategic alliances or collaboration agreements. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate its projects and services which could adversely affect its future business prospects and its ability to continue as a going concern. The Company believes that its current available cash on hand plus additional sources of funding noted previously will be sufficient to fund its planned expenditures and meet the Company's obligations for at least the one-year period following its condensed consolidated financial statement issuance date.

Cash Flow

	Nine Months Ended		Change	%
	September 30,			
	2022	2021		
Cash used in operating activities	\$ (9,827,748)	\$ (518,955)	\$ (9,308,793)	1794%
Cash used in investing activities	\$ (1,425,623)	\$ (30,266)	\$ (1,395,357)	4610%
Cash provided by financing activities	\$ 1,901,577	\$ 2,763,371	\$ (861,794)	(31)%
Cash on hand	\$ 4,359,051	\$ 2,234,312	\$ 2,124,739	95%

Cash Flows from Operating Activities

Nine Months ended September 30, 2022 and 2021

For the nine months ended September 30, 2022 and 2021, we did not generate positive cash flows from operating activities. For the nine months ended September 30, 2022, net cash flows used in operating activities was approximately \$9.8 million compared to approximately \$519,000 during the nine months ended September 30, 2021.

Cash flows used in operating activities for the nine months ended September 30, 2022 is comprised of a net loss of \$8.7 million, which was reduced by non-cash expenses of \$1.2 million for one-time stock-based consulting fees and \$239,000 for depreciation and amortization, and an increase in net change in working capital of approximately \$2.56 million.

For the nine months ended September 30, 2021, net cash flows used in operating activities was comprised of a net loss of approximately \$1.3 million, which was reduced by non-cash expenses of approximately \$295,000 for depreciation and amortization, \$200,000 in stock-based compensation, gain on forgiveness of a PPP note of \$634,000, and a decrease in net change in working capital of approximately \$928,000.

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Cash Flows from Investing Activities

During the nine months ended September 30, 2022 and 2021, we purchased property and equipment in the amount of approximately \$1.4 million and \$30,000 respectively. The increase related primarily to the purchase of assets related to the satellite side of our business.

Cash Flows from Financing Activities

During the nine months ended September 30, 2022, net cash used in financing activities of approximately \$1.9 million included \$3.1 million in net proceeds from issuance of common stock and payments of approximately \$148,000 to pay off our finance leases, repayments of notes payable of approximately \$214,000 and repayments of notes payable - related party to Craig Technical Consulting, Inc., our principal stockholder, of \$797,500.

During the nine months ended September 30, 2021, net cash provided by financing activities of \$2.8 million included \$2.7 million from the sale of 3 million common shares, proceeds from our principal shareholder of \$90,000, proceeds from a PPP loan of \$308,000, and was offset by the repayment of notes payable of \$16,000, payments on our finance leases of \$62,000 and repayment of note payable to a related party of \$250,000.

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 annual report on Form 10-K, 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
- Inventory
- Lease Accounting

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 Condensed Consolidated Financial Statements.

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Our revenue is recognized under Topic 606 in a manner that reasonably reflects the delivery of our 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 our revenue category, is summarized below:

Revenues from 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. 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 we satisfy a performance obligation.

Revenues from fixed price service contracts that contain provisions for milestone payments are recognized at the time of the milestone being met and payment received. This method is used because management considers that the payments are non-refundable unless the entity fails to perform as promised. If the customer terminates the contract we are entitled only 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 non-refundable, 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. 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 we satisfy a performance obligation.

Inventory

Inventory consists of work in progress and consists of estimated revenue calculated on a percentage of completion based on direct labor and materials in relation to the total contract value.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases in the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842) – Targeted Improvements, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. 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.

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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.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act (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 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 the completion of this 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

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our “disclosure controls and procedures” (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is accumulated and communicated to a company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Based on the evaluation of our disclosure controls and procedures as of September 30, 2022, our management, with the participation of our principal executive officer and principal financial officer has concluded that, based on such evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were not effective due to the material weakness described below.

Material Weakness in Internal Controls Over Financial Reporting

We identified a material weakness in our internal control over financial reporting that exists as of September 30, 2022. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses, which relate to internal controls over financial reporting, that were identified is:

- a) We did not have enough personnel in our accounting and financial reporting functions. As a result, we were not able to achieve adequate segregation of duties and were not able to provide for adequate reviewing of the financial statements. This control deficiency, which is pervasive in nature, results in a reasonable possibility that material misstatements of the financial statements will not be prevented or detected on a timely basis.

Notwithstanding the material weaknesses in our internal control over financial reporting, we have concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

Management’s Plan to Remediate the Material Weakness

Management believes that the hiring of additional personnel who have the technical expertise and knowledge with the non-routine or technical issues we have encountered in the past will result in both proper recording of these transactions and a much more knowledgeable finance department as a whole. Due to the fact that our accounting staff consists of a newly appointed full-time Principal Financial Officer, a full-time controller, a full-time cost accountant, and 2 bookkeepers, additional personnel will also ensure the proper segregation of duties and provide more checks and balances within the department. Additional personnel will also provide the cross training needed to support us if personnel turnover issues within the department occur. We believe this will eliminate or greatly decrease any control and procedure issues we may encounter in the future.

We will continue to monitor and evaluate the effectiveness of our disclosure controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

Changes in Internal Control

There have been no changes in our internal control over financial reporting that occurred during the nine months ended September 30, 2022 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, 2021 (“Annual Report”). There have been no material changes in our risk factors from those previously disclosed in our Annual Report.

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.

None.

ITEM 6. EXHIBITS.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Common Stock Purchase Agreement, dated as of August 10, 2022, by and between Sidus Space, Inc. and B. Riley Principal Capital II, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on August 11, 2022)
10.2	Registration Rights Agreement, dated as of August 10, 2022, by and between Sidus Space, Inc. and B. Riley Principal Capital II, LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on August 11, 2022)
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 June 30, 2022 is formatted in Inline XBRL

* Filed herewith.

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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: December 8, 2022

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

Date: December 8, 2022

By: /s/ Teresa Burchfield
Teresa Burchfield
Chief Financial Officer
(Principal Financial and Accounting Officer)

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**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/A 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: December 8, 2022

/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, Teresa Burchfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A 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: December 8, 2022

/s/ Teresa Burchfield

Teresa Burchfield
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/A for the period ended September 30, 2022 (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: December 8, 2022

/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, Teresa Burchfield, 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/A for the period ended September 30, 2022 (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: December 8, 2022

/s/ Teresa Burchfield

Teresa Burchfield
Chief Financial Officer
(Principal Financial and Accounting Officer)
