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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2025

or

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

For the transition period from _____to _____

Commission File Number: 001-41154

SIDUS SPACE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**46-0628183**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
150 N. Sykes Creek Parkway, Suite 200, Merritt Island, FL	**32953**
(Address of principal executive offices)	(Zip Code)

(321) 450-5633
(Registrant's telephone number, including area code)

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

Number of Class A and B common shares outstanding as of November 13, 2025 was 35,147,483 and 100,000; respectively.

SIDUS SPACE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2025	December 31, 2024
	(Unaudited)	
Assets		
Current assets		
Cash	$ 12,734,087	$ 15,703,579
Accounts receivable	825,607	827,886
Accounts receivable - related parties	1,402,774	641,376
Inventory	188,310	255,716
Contract asset	684,749	1,347,386
Contract asset - related party	448,717	46,953
Prepaid and other current assets	4,849,338	3,429,656
Total current assets	21,133,582	22,252,552
Property and equipment, net	17,456,972	14,891,976
Operating lease right-of-use assets	769,515	121,545
Intangible asset	398,135	398,135
Other assets	92,443	81,359
Total Assets	$ 39,850,647	$ 37,745,567
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and other current liabilities	$ 4,835,108	$ 3,388,667
Accounts payable - related party	869,789	673,743
Contract liability	-	16,192
Contract liability - related party	267,380	46,953
Asset-based loan liability	9,124,612	6,902,636
Notes payable	-	3,059,767
Operating lease liability	266,879	121,544
Total current liabilities	15,363,768	14,209,502
Operating lease liability - non-current	505,718	-
Total Liabilities	15,869,486	14,209,502
Commitments and contingencies	-	-
Stockholders' Equity		
Preferred Stock: 5,000,000 shares authorized; $0.0001 par value; no shares issued and outstanding		
Series A convertible preferred stock: 2,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock: 210,000,000 authorized; $0.0001 par value		
Class A common stock: 200,000,000 shares authorized; 35,147,483 and 15,956,816 shares issued and outstanding, respectively	3,515	1,597
Class B common stock: 10,000,000 shares authorized; 100,000 shares issued and outstanding	10	10
Additional paid-in capital	102,404,156	83,887,682
Accumulated deficit	(78,426,520)	(60,353,224)
Total Stockholders' Equity	23,981,161	23,536,065
Total Liabilities and Stockholders' Equity	$ 39,850,647	$ 37,745,567

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	**2024**	**2025**	**2024**
Revenue	$ 559,105	$ 1,757,251	$ 1,410,879	$ 3,437,160
Revenue - related parties	738,953	111,707	1,386,696	409,523
Total - revenue	1,298,058	1,868,958	2,797,575	3,846,683
Cost of revenue	2,597,023	1,830,787	6,752,160	4,565,549
Gross profit (loss)	(1,298,965)	38,171	(3,954,585)	(718,866)
Operating expenses				
Selling, general and administrative expense	4,332,441	3,210,069	13,040,152	9,912,466
Total operating expenses	4,332,441	3,210,069	13,040,152	9,912,466
Net loss from operations	(5,631,406)	(3,171,898)	(16,994,737)	(10,631,332)
Other income (expense)				
Other income	358	3,000	358	4,613
Interest expense	(1,088)	(642,355)	20,959	(982,056)
Interest income	31,144	23	125,468	12,336
Asset-based loan expense	(432,607)	(91,359)	(1,225,344)	(252,734)
Total other expense	(402,193)	(730,691)	(1,078,559)	(1,217,841)
Loss before income taxes	(6,033,599)	(3,902,589)	(18,073,296)	(11,849,173)
Provision for income taxes	-	-	-	-
Net loss	(6,033,599)	(3,902,589)	(18,073,296)	(11,849,173)
Dividend on Series A preferred Stock	-	-	-	**(42,375)**
Net loss attributed to stockholders	**$ (6,033,599)**	**$ (3,902,589)**	**$ (18,073,296)**	**$(11,891,548)**
Basic and diluted loss per common share	$ (0.24)	$ (0.93)	$ (0.88)	$ (3.22)
Basic and diluted weighted average number of common shares outstanding	24,903,577	4,181,344	20,508,465	3,695,944

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

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

For the Three and Nine months ended September 30, 2025

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance - December 31, 2024	15,956,816	$ 1,597	100,000	$ 10	$ 83,887,682	$ (60,353,224)	$23,536,065
Class A common stock issued for exercise of warrants	2,231,134	223	-	-	2,381,024	-	2,381,247
Vested officers compensation	16,533	1	-	-	115,791	-	115,792
Stock option expense	-	-	-	-	136,452	-	136,452
Net loss	-	-	-	-	-	(6,414,627)	(6,414,627)
Balance - March 31, 2025	18,204,483	$ 1,821	100,000	$ 10	$ 86,520,949	$ (66,767,851)	$19,754,929
Vested Board Compensation	-	-	-	-	97,268	-	97,268
Stock option expense	-	-	-	-	87,180	-	87,180
Net loss	-	-	-	-	-	(5,625,070)	(5,625,070)
Balance - June 30, 2025	18,204,483	$ 1,821	100,000	$ 10	$ 86,705,397	$ (72,392,921)	$14,314,307
Series A preferred stock issued	16,943,000	1,694	-	-	15,510,144	-	15,511,838
Vested Board Compensation	-	-	-	-	101,435	-	101,435
Stock option expense	-	-	-	-	87,180	-	87,180
Net loss	-	-	-	-	-	(6,033,599)	(6,033,599)
Balance - September 30, 2025	35,147,483	$ 3,515	100,000	$ 10	$102,404,156	$ (78,426,520)	$23,981,161

For the Three and Nine months ended September 30, 2024

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance - December 31, 2023	983,173	$ 98	100,000	$ 10	$49,918,441	$ (42,786,793)	$ 7,131,756
Class A common stock issued for conversion of Series A preferred stock and dividend	106,748	11	-	-	58,930	-	58,941
Class A common stock units issued	2,572,700	258	-	-	12,110,528	-	12,110,786
Class A common stock issued for exercise of warrants	418,724	42	-	-	1,631,483	-	1,631,525
Vested Board Compensation	-	-	-	-	37,500	-	37,500
Stock option expense	-	-	-	-	41,698	-	41,698
Common stock issue for reverse split adjustment	(1)	-	-	-	-	-	-
Dividend on Series A preferred Stock	-	-	-	-	-	(42,375)	(42,375)
Net loss	-	-	-	-	-	(3,810,500)	(3,810,500)
Balance - March 31, 2024	4,081,344	$ 409	100,000	$ 10	$63,798,580	$ (46,639,668)	$17,159,331
Vested Board Compensation	-	-	-	-	36,484	-	36,484
Stock option expense	-	-	-	-	44,346	-	44,346
Net loss	-	-	-	-	-	(4,136,084)	(4,136,084)
Balance - June 30, 2024	4,081,344	$ 409	100,000	$ 10	$63,879,410	$ (50,775,752)	$13,104,077
Vested Board Compensation	-	-	-	-	31,666	-	31,666
Stock option expense	-	-	-	-	44,346	-	44,346
Net loss	-	-	-	-	-	(3,902,589)	(3,902,589)
Balance - September 30, 2024	4,081,344	$ 409	100,000	$ 10	$63,955,422	$ (54,678,341)	$ 9,277,500

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

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

	Nine Months Ended September 30,	
	2025	**2024**
Cash Flows From Operating Activities:		
Net loss	$ (18,073,296)	$ (11,849,173)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	625,307	236,040
Depreciation and amortization	3,224,809	1,494,449
Changes in operating assets and liabilities:		
Accounts receivable	2,279	(320,263)
Accounts receivable - related party	(761,398)	(202,510)
Inventory	67,406	(482,685)
Contract asset	662,637	-
Contract asset - related party	(401,764)	(7,031)
Prepaid expenses and other assets	(1,430,766)	987,099
Accounts payable and accrued liabilities	1,616,311	(495,734)
Accounts payable and accrued liabilities - related party	196,046	348,249
Contract liability	(16,192)	-
Contract liability - related party	220,427	7,031
Changes in operating lease assets and liabilities	3,083	(3,700)
Net Cash used in Operating Activities	(14,065,111)	(10,288,228)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(5,789,805)	(5,102,661)
Net Cash used in Investing Activities	(5,789,805)	(5,102,661)
Cash Flows From Financing Activities:		
Proceeds from issuance of common stock units	15,511,838	13,742,311
Proceeds from exercise of warrants	2,381,247	-
Proceeds from asset-based loan agreement	6,413,239	3,990,957
Repayment of asset-based loan agreement	(4,361,133)	(2,177,085)
Repayment of notes payable	(3,059,767)	(150,000)
Net Cash provided by Financing Activities	16,885,424	15,406,183
Net change in cash	(2,969,492)	15,294
Cash, beginning of period	15,703,579	1,216,107
Cash, end of period	$ 12,734,087	$ 1,231,401
Supplemental cash flow information		
Cash paid for interest	$ 1,064,570	$ 524,015
Cash paid for taxes	$ -	$ -
Non-cash Investing and Financing transactions:		
Conversion of interest and fees of asset-based loan	$ 169,870	$ -
Class A common stock issued for conversion of Series A convertible preferred stock	$ -	$ 16,566
Recognition of right-of-use asset and lease liability	$ 856,787	$ 284,861

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

SIDUS SPACE, INC.
NOTES TO THE UNAUDITED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2025

Note 1. Organization and Description of Business

Organization

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

Description of Business

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The Company prepares its financial statements in accordance with rules and regulations of the Securities and Exchange Commission ("SEC") and GAAP in the United States of America. The accompanying interim financial statements have been prepared in accordance with GAAP for interim financial information in accordance with Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the Company's opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2025, are not necessarily indicative of the results for the full year. The consolidated balance sheet as of December 31, 2024 included herein was derived from the audited financial statements as of that date. 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, 2024, contained in the Company's Form 10-K filed with the SECon March 31, 2025.

Principles of Consolidation

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

For entities determined to be VIEs, an evaluation is required to determine whether the Company is the primary beneficiary. The Company evaluates its economic interests in the entity specifically determining if the Company has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance ("the power") and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE ("the benefits"). When making 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.

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

Use of Estimates

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

Cash and Cash Equivalents

For purposes of balance sheet presentation and reporting of cash flows, the Company considers all unrestricted demand deposits, money market funds and highly liquid debt instruments with an original maturity of less than 90 days to be cash and cash equivalents. The Company had no cash equivalents as of September 30, 2025 and December 31, 2024.

Periodically, the Company may carry cash balances at financial institutions more than the federally insured limit of $250,000 per institution. The amount in excess of the FDIC insurance as of September 30, 2025, was $12.4 million. The Company has not experienced losses on these accounts and management believes, based upon the quality of the financial institutions, that the credit risk with regard to these deposits is not significant. The Company has also mitigated some of the risk through the use of a premium savings account. This account is used for amounts that are over a set balance maintained in the Company's general operating account. Balances in the premium savings account are insured up to $150 million.

Accounts Receivable

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

Bad Debt and Allowance for Doubtful Accounts

In compliance with GAAP the Company has determined the following policy will be followed regarding outstanding customer invoices.

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

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

During the nine months ended September 30, 2025 and 2024, the Company did not record bad debt. The Company's allowance for doubtful accounts balance at September 30, 2025 and December 31, 2024 was $112,500.

Contract Assets and Contract Liabilities

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

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. The Company does not maintain raw materials.

Property and Equipment

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

Stock Based Compensation

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

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

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

Fair Value Measurements

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

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

The Company's financial instruments, including cash, accounts receivable, prepaid expense and other current assets, accounts payable and accrued liabilities, and loans payable, are carried at historical cost. As of September 30, 2025 and December 31, 2024, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

Revenue Recognition

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

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

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

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

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

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

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

Cost of revenue

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

Net Income (Loss) Per Share of Common Stock

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

For the nine months ended September 30, 2025 and 2024, the following common stock equivalents were excluded from the computation of diluted net loss per share as the result of the computation was anti-dilutive.

	September 30, 2025	September 30, 2024
	(Shares)	(Shares)
Warrants	4,024,893	260,213
Stock option	329,752	64,752

Warrants

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

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

Recent Accounting Pronouncements

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

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

Note 3. Variable Interest Entity

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

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, 2025 and December 31, 2024, Aurea's assets and liabilities are as follows:

	September 30, 2025	December 31, 2024
Assets		
Cash	$ 40,574	$ 65,333
Prepaid and other current assets	9,744	13,264
	$ 50,318	$ 78,597
Liability		
Accounts payable and other current liabilities	$ 39,175	$ 78,575

For the nine months ended September 30, 2025 and 2024, Aurea's net loss was $121,096 and $125,288, respectively.

Note 4. Prepaid expense and Other current assets

As of September 30, 2025 and December 31, 2024, prepaid expense and other current assets are as follows:

	September 30, 2025	December 31, 2024
Prepaid insurance	$ 102,842	$ 374,480
Prepaid components	1,812,172	528,000
Prepaid satellite services & licenses	2,304,040	2,353,757
Prepaid software	152,544	82,440
Other current assets	477,740	90,979
	$ 4,849,338	$ 3,429,656

During the nine months ended September 30, 2025 and 2024, the Company recorded interest expense of $9,096 and $11,349 respectively, related to cash paid for interest from financing of our prepaid insurance policies.

Note 5. Inventory

As of September 30, 2025 and December 31, 2024, inventory is as follows:

	September 30, 2025	December 31, 2024
Work in Process	$ 188,310	$ 255,716

Work in Process consists of components and related labor and other costs incurred on applicable contracts based on estimated total costs to complete. Related labor and other non-component costs for longer term contracts subject to contractual invoicing arrangement are reflected in contracts receivable.

Note 6. Property and Equipment

As of September 30, 2025 and December 31, 2024, property and equipment consisted of the following:

	September 30, 2025	December 31, 2024
Office equipment	$ 17,061	$ 17,061
Computer equipment	46,285	41,233
Vehicle	35,424	35,424
Software	1,131,091	1,358,558
Machinery	3,257,764	3,257,764
Leasehold improvements	397,536	397,536
R&D software	-	-
Satellite and related software	16,350,863	12,305,379
Construction in progress	4,850,073	2,883,337
	26,086,097	20,296,292
Accumulated depreciation	(8,629,125)	(5,404,316)
Property and equipment, net of accumulated depreciation	$ 17,456,972	$ 14,891,976

As of September 30, 2025 and December 31, 2024, construction in progress represents components to be used in the manufacturing of our satellites.

Depreciation expense of property and equipment for the nine months ended September 30, 2025 and 2024 is $3,224,809 and $1,494,449, of which $2,933,308 and $1,331,591, are included as components of cost of revenue, respectively.

During the nine months ended September 30, 2025 and 2024, the Company purchased assets of $5,789,805 and $5,102,661, respectively.

Note 7. Accounts payable and other current liabilities

As of September 30, 2025 and December 31, 2024, accounts payable and other current liabilities consisted of the following:

	September 30, 2025	December 31, 2024
Accounts payable	$ 2,957,038	$ 1,978,857
Payroll liabilities	1,554,859	907,697
Credit card liability	80,184	51,522
Other payable	209,885	165,435
Payable for purchase of property and equipment	15,552	18,799
Insurance payable	17,590	266,357
	$ 4,835,108	$ 3,388,667

Note 8. Asset-based loan

The Company is party to a recourse loan and security agreement with an unrelated lender dated November 30, 2022, whereby the lender will provide loans secured by certain accounts receivable for up to 90% of the face amount. This was amended in 2024 to also include secured certain unbilled manufacturing and other works in process for up to 85% of the face amount and secured by certain unbilled delivery orders for up to 60% of the face amount. These are paid to the company in the form of a cash advance. The Company has a revolving line of credit for $3 million with a collateralized loan interest rate of 16.2% annum and uncollateralized loan interest rate of 19.5% annum on outstanding balances. In 2024, the Company agreed to increase a revolving line of credit for $7 million. Additionally, in the event of default the Lender at its option can increase the loan interest rate by 5% per annum for each month or partial month default on outstanding balances. Under the loan and security agreement, the Company must pay back any invoices that become uncollectable. As of September 30, 2025 and December 31, 2024, the Company’s collateralized and uncollateralized asset-based loan balance was $9,124,612 and $6,902,636, respectively. For the nine months ended September 30, 2025 and 2024, the costs and interest incurred by the Company in connection with the loan and security agreement activities were $1,225,344 and $252,734, respectively. As of January 31, 2025 the Company’s revolving line of credit was increased from $7 million to $10.5 million with same interest rates noted above for collateralized and uncollateralized loan interest rates. The Company used the increase in its revolving line of credit to pay off the approximately $3.2 million note payable and accrued interest and fees with Decathlon.

Note 9. Contract assets and liabilities

As of September 30, 2025 and December 31, 2024, contract assets and contract liabilities consisted of the following:

Contract assets	September 30, 2025	December 31, 2024
Revenue recognized in excess of amounts paid or payable (contracts receivable) to the company on uncompleted contracts (contract asset) that are subject to restrictions on invoicing, excluding retainage	$ 684,749	$ 1,331,194
Retainage included in contract assets due to being conditional on something other than solely passage of time	-	16,192
Retainage included in contract assets due to being conditional on something other than solely passage of time – related party	448,717	46,953
Total contract assets	$ 1,133,466	$ 1,394,339

Contract liabilities	September 30, 2025	December 31, 2024
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	$ -	$ 16,192
Retainage included in contract liabilities due to being conditional on something other than solely passage of time – related party	267,380	46,953
Total contract liabilities	$ 267,380	$ 63,145

Note 10. Leases

Operating lease

We have a new lease contract entered June 1, 2025 which includes both our office facility and warehouse space that expires May 31, 2028. The monthly “Base Rent” is $12,232 and $13,150. The Base Rent is increased by 3.0% each year.

We had a lease contract entered June 1, 2024 which includes both our office facility and warehouse space that expired May 31, 2025. The monthly “Base Rent” was $11,876 and $12,767.

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

As of September 30, 2025 and December 31, 2024, the Company recorded a refundable security deposit of $10,000 for its warehouse space and is included in other assets on the balance sheet.

The operating lease expense were as follows:

	Nine months ended September 30,	
	2025	2024
Lease cost		
Operating lease cost	$ 309,393	$ 288,646

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

	September 30, 2025	December 31, 2024
Operating lease right-of-use assets at inception	$ 856,787	$ 284,861
Accumulated amortization	(87,272)	(163,316)
Total operating lease right-of-use assets	$ 769,515	$ 121,545
Operating lease liabilities - current	$ 266,879	$ 121,544
Operating lease liabilities - non-current	505,718	-
Total operating lease liabilities	$ 772,597	$ 121,544
Right-of-use assets obtained in exchange for new operating lease liability	856,787	-
Weighted-average remaining lease term — operating leases (year)	2.67	0.41
Weighted-average discount rate — operating leases	6.50%	8.25%

Future minimum lease payments under operating leases that have initial noncancelable lease terms in excess of one year as of September 30, 2025, were as follows:

	Total
Year Ended December 31,	
2025 - Remaining 3 months	$ 76,147
2026	309,920
2027	319,218
2028	134,641
Thereafter	-
	839,926
Less: Imputed interest	(67,329)
Operating lease liabilities	$ 772,597

Sublease

On August 1, 2021, the Company entered into a sublease agreement with its related party and a principal shareholder (“Sublandlord”), whereby the Company subleases certain offices, rooms and shared use of common spaces located at 150 Sykes Creek Parkway, Merritt Island, FL. The sublease agreement is a month-to-month lease and may be terminated with 30 days’ notice to the Sublandlord. The monthly rent shall be $4,618.03 from February 1, 2024 to January 31, 2025, $4,756.57 from February 1, 2025 to January 31,2026 and $4,899.27 from February 1, 2026 to January 31, 2027. A common area maintenance fee (CAM) will be charged in addition to the monthly rent. During the nine months ended September 30, 2025 and 2024, the Company recorded $61,816 and $58,780 directly related to this short-term month to month lease to lease expense.

Note 11. Notes Payable

Decathlon Note

On December 3, 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 the Decathlon Note. In connection with our assumption of the Decathlon Note, CTC reduced the principal of the Note Payable – related party by $1.4 million for an aggregate principal balance of $2.6 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.

Management believes that the assumption of the Decathlon Note from CTC was 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 one (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 was amended November 16, 2023. The maturity date was extended from December 9, 2023 to December 9, 2024 and final payoff of indebtedness and release of security executed January 29, 2025.

During the nine months ended September 30, 2025 and 2024, the Company recorded interest expense of $69,945 and $968,864, respectively, which included an additional accrual estimate based on the principal and accrued but unpaid interest payment due when the note matures and made payments of $0 and $150,000, respectively. During the nine months ended September 30, 2025, the Company also recorded $33,528 in legal and late fees associated with the January 31, 2025 payoff of the note payable. As of December 31, 2024, the Company recorded principal amount, accrued interest and legal and late fees of $3,059,767 on the balance sheet. On January 31, 2025 the Company fully paid off principal amount, accrued interest and interest expense and legal and late fees of $3,163,239.

Note 12. Related Party Transactions

Revenue and Accounts Receivable

The Company recognized revenue of $1,386,696 and $409,523 for the nine months ended September 30, 2025 and 2024 and accounts receivable of $1,402,774 and $641,376 and contract asset of $448,717 and $46,953 and contract liability of $267,380 and $46,953 as of September 30, 2025 and December 31, 2024, respectively, from contracts entered into by Craig Technical Consulting, Inc, a principal stockholder, and subcontracted to the Company for four customers.

Accounts Payable

As of September 30, 2025 and December 31, 2024, the Company owed $869,789 and $673,743 to related parties of which $527,476 in both periods relates to advances from Craig Technical Consulting, Inc. which are unsecured, due on demand and non-bearing-interest.

As of September 30, 2025 and December 31, 2024, the Company recorded accounts payable of $62,500 and $80,000, respectively, related to Q2 2025 and Q4 2024 Board of Director compensation payments.

Cost of Revenue

For the nine months ended September 30, 2025 and 2024, the Company recorded cost of revenue to Craig Technical Consulting, Inc. of $653,586 and $271,512, respectively.

Professional Service Agreements

A professional services agreement, effective November 15, 2021, was made, between the Company and Craig Technical Consulting, Inc. The period of performance for this agreement was December 1, 2021, through November 30, 2022. The agreement was amended, and the term of agreement was extended to September 30, 2025.

During the nine months ended September 30, 2025 and 2024, the Company recorded professional services of $49,119 and $125,178, respectively.

Sublease

On August 1, 2021, the Company entered into a sublease agreement with its related party and a principal shareholder ("Sublandlord"), whereby the Company subleases certain offices, rooms and shared use of common spaces located at 150 Sykes Creek Parkway, Merritt Island, FL. The sublease agreement is a month-to-month lease and may be terminated with 30 days' notice to the Sublandlord. The monthly rent shall be $4,618.03 from February 1, 2024 to January 31, 2025, $4,756.57 from February 1, 2025 to January 31,2026 and $4,899.27 from February 1, 2026 to January 31, 2027. A common area maintenance fee (CAM) will be charged in addition to the monthly rent. During the nine months ended September 30, 2025 and 2024, the Company recorded $61,816 and $58,780 directly related to this short-term month to month lease to lease expenses.

Note 13. Commitments and Contingencies

Litigation

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

License Agreement

The consolidated financial statements include Aurea Alas Limited, which is a variable interest entity of which we are the primary beneficiary (see Note 3). On August 18, 2020, Aurea entered into a license agreement with a third-party vendor (the "Vendor"), whereby they licensed the rights to use certain available radio frequency spectrum for satellite communications. The Company shall pay an annual Reservation Fee of $120,000 while the Company pursues up to four (4) NGSO satellite filing(s) via the Vendor. The Reservation Fee is levied on the date the filing(s) is received at the International Telecommunication Union (ITU). The Reservation Fee is payable annually at the anniversary of the date of receipt, as long as the customer retains the NGSO filing(s). The Reservation Fee payment continues to be payable until any of the frequency assignments of the NGSO filing(s) are brought into use. Upon the submission to the ITU to bring into use any of the frequency assignments of a given 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. For the nine months ended September 30, 2025 and 2024, the Company recorded payments of $135,000 and $90,000 in Other General and Administrative expenses. These are eliminated upon consolidation.

Note 14. Stockholders' Equity

Authorized Capital Stock

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

The Company has authorized 210,000,000 shares of common stock with a par value of $0.0001, consisting of 200,000,000 shares of Class A common stock and 10,000,000 shares of Class B common stock. The Class B common stock is entitled to ten votes and is convertible at any time into one share of Class A common stock.

Class A Common Stock

The Company had 35,147,483 and 15,956,816 shares of Class A common stock issued and outstanding as of September 30, 2025 and December 31, 2024, respectively.

July 2025 Public Offering

On July 29, 2025, the Company completed an underwritten public offering of 7,143,000 shares of Class A common stock at a public offering price of $1.05 per share, for approximately $6.7 million of net proceeds.

September 2025 Public Offering

On September 14, 2025, the Company completed an underwritten public offering of 9,800,000 shares of Class A common stock at a public offering price of $1.00 per share, for approximately $8.8 million of net proceeds.

In addition, during the nine months ended September 30, 2025, the Company issued 2,247,667 shares of Class A common stock as follows;

- 1,162,802 shares for exercise of pre-funded warrants and 1,068,332 shares for exercise of warrants, for which the Company received $2,381,247
- 16,533 shares to prior CFO and a Board member valued at $40,115

Class B Common Sock

The Company had 100,000 shares of Class B common stock issued and outstanding as of September 30, 2025 and December 31, 2024.

Warrants

True up warrant

The Company adjusted the number of warrants and their exercise price granted in October 2023 due to offerings in third quarter of 2025. 6,571 warrants were granted, and the new exercise price was adjusted to $1.00. The Company recognized the value of warrants of approximately $8,000 as direct incremental costs of the offering and recorded as a reduction of additional paid in capital.

July 2025 offering

The Company issued a total of 357,150 underwriter warrants exercisable after the July 29, 2025 date of the offering agreement, for a period of five years at an exercise price per share of $1.31 in connection with the common stock sold. The Company recognized the value of 357,150 underwriter warrants of approximately $698,000 as direct incremental costs of the offering and recorded as a reduction of additional paid in capital.

September 2025 offering

The Company issued a total of 490,000 underwriter warrants exercisable after the September 16, 2025 date of the offering agreement, for a period of five years at an exercise price per share of $1.25 in connection with the common stock sold. The Company recognized the value of 490,000 underwriter warrants of approximately $620,000 as direct incremental costs of the offering and recorded as a reduction of additional paid in capital.

The Company utilizes the Black-Scholes model to value its warrants. The Company utilized the following assumptions:

	Nine months ended September 30, 2025
Expected term	3.08 - 5.00 years
Expected average volatility	166 - 178%
Expected dividend yield	-
Risk-free interest rate	3.52 - 3.95

A summary of activity of the warrants during the nine months ended September 30, 2025 as follows:

	Number of shares	Weighted average Exercise Price	Average Life (years)
Outstanding, December 31, 2024	5,402,306	$ 2.50	5.35
Granted - true up	6,571	1.00	3.08
Granted	357,150	1.31	5.00
Granted	490,000	1.25	5.00
Exercised *	(1,162,802)	2.25	-
Exercised	(1,068,332)	2.25	-
Outstanding, September 30, 2025	4,024,893	$ 2.38	4.59
Exercisable, September 30, 2025	4,024,893	$ 2.38	4.59

* Prefunded warrants issued in December 2024

The intrinsic value of the warrants as of September 30, 2025 is $1,051.

Stock Options

On February 1, 2025, the Company granted 265,000 options with an exercise price of $2.57, with a term of five (5) years to exercise from the grant date to employees of the Company. Options issued vest at 33% of shares subject to the option on each anniversary date, on February 1, 2026, 2027 and 2028.

The Company utilizes the Black-Scholes model to value its stock options. The Company utilized the following assumptions:

	Nine months ended September 30, 2025
Expected term	3.50 years
Expected average volatility	189%
Expected dividend yield	-
Risk-free interest rate	4.27%

During the nine months ended September 30, 2025, the 265,000 options that were granted were valued at $609,330. During the nine months ended September 30, 2025 and 2024, the Company recognized stock option expense of $310,812 and $130,390, respectively, and as of September 30, 2025, $753,001 remains unamortized and is expected to be recognized ratably over the remaining vesting period through February 1, 2028. The intrinsic value of the 329,752 options outstanding as of September 30, 2025, is $0.

A summary of activity of the stock options during the nine months ended September 30, 2025, is as follows:

	Options Outstanding		Weighted Average
	Number of Options	Weighted Average Exercise Price	Remaining life (years)
Outstanding, December 31, 2024	64,752	$ 11.67	3.82
Granted	265,000	2.57	5.00
Exercised	-	-	-
Forfeited/canceled	-	-	-
Outstanding, September 30, 2025	329,752	$ 4.36	4.09
Exercisable options, September 30, 2025	44,976	$ 9.77	3.15

Restricted Stock Unit (RSU)

On February 1, 2025, the Company granted 265,000 RSUs to employees of the Company, valued at $620,689. RSUs entitle the holder to receive a specified number of shares of the Company’s common stock and RSU issued vest 100% of shares subject to the RSU on the third anniversary date, on February 1, 2028. The $620,689 related to unvested RSU’s is expected to be recognized ratable over the service period of three years. During the nine months ended September 30, 2025, the Company recognized stock compensation expense of $146,048 related to unvested RSUs. Stock compensation expense is expected to be recognized ratably over the remaining service period of 2.34 years. These RSUs are not included in shares outstanding.

On August 1, 2025, the Company granted 50,567 RSUs to board members. The RSUs will be fully vested by July 1, 2026. On August 1, 2025, the Company granted 10,000 RSUs to an employee of the Company. The RSUs are expected to be recognized ratable over the service period of three years.

Stock Award

During the nine months ended September 30, 2025, the Company recorded stock compensation expense of $128,333 for 50,327 vested shares as part of an annual total stock award to be issued of 66,667 shares of Class A Common Stock to board members.

Note 15. Segment

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

The following table presents selected financial information with respect to the Company's single operating segment for the three and nine months ended September 30, 2025 and 2024:

Three months ended September 30, 2025 and 2024

	Three Months Ended September 30,			
	2025	2024	Change	%
Revenue	$ 1,298,058	$ 1,868,958	$ (570,900)	(31)%
Cost of revenue	2,597,023	1,830,787	766,236	42%
Gross Profit (Loss)	(1,298,965)	38,171	(1,337,136)	(3,503)%
Gross Profit (Loss) Percentage	(100)%	2%	(102)%	(5,000)%
Operating expense	4,332,441	3,210,069	1,122,372	35%
Other income (expense)	(402,193)	(730,691)	328,498	(45)%
Net loss	$ (6,033,599)	$ (3,902,589)	$ (2,131,010)	55%

	Three Months Ended September 30,			
	2025	2024	Change	%
Operating expenses				
Payroll expenses	$ 2,243,403	$ 1,715,840	$ 527,563	31%
Sales and marketing expenses	40,801	39,138	1,663	4%
Lease expense	108,160	100,717	7,443	7%
Professional fees	155,147	130,299	24,848	19%
General and administrative expense	1,784,930	1,224,075	560,855	46%
Total	$ 4,332,441	$ 3,210,069	$ 1,122,372	35%

Nine months ended September 30, 2025 and 2024

	Nine Months Ended September 30,			
	2025	2024	Change	%
Revenue	$ 2,797,575	$ 3,846,683	$ (1,049,108)	(27)%
Cost of revenue	6,752,160	4,565,549	2,186,611	48%
Gross Loss	(3,954,585)	(718,866)	(3,235,719)	450%
Gross Profit Percentage	(141)%	(19)%	(123)%	656%
Operating expense	13,040,152	9,912,466	3,127,686	32%
Other expense	(1,078,559)	(1,217,841)	139,282	(11)%
Net loss	$ (18,073,296)	$ (11,849,173)	$ (6,224,123)	53%

	Nine Months Ended September 30,			
	2025	2024	Change	%
Operating expenses				
Payroll expenses	$ 7,251,356	$ 4,826,164	$ 2,425,192	50%
Sales and marketing expenses	154,352	145,049	9,303	6%
Lease expense	312,947	290,928	22,019	8%
Professional fees	530,311	784,175	(253,864)	(32)%
General and administrative expense	4,791,186	3,866,150	925,036	24%
Total	$ 13,040,152	$ 9,912,466	$ 3,127,686	32%

Note 16. Concentration

As of September 30, 2025 and December 31, 2024, and for nine months ended September 30, 2025 and 2024, customer concentrations (more than 10%) were as follows:

	Percentage of Revenue For the nine months ended September 30,		Percentage of Accounts Receivable	
			September 30,	December 31,
	2025	2024	2025	2024
Bechtel	40%	40%	20%	13%
Craig Technologies	47%	8%	62%	44%
Xiomas Technologies	2%	2%	-	1%
TNO	-	18%	-	34%
Total (as a group)	89%	68%	82%	92%

Note 17. Subsequent Events

Management evaluated all events subsequent to the balance sheet date and through the date the financial statements were available to be issued and determined there have been no events that have occurred that would require adjustment to our disclosures in the consolidated financial statements.

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

Forward-Looking Statements and Industry Data

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

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

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

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited interim consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, as may be amended, supplemented or superseded from time to time by other reports we file with the SEC. All amounts in this report are in U.S. dollars, unless otherwise noted.

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

Overview of Operations

Founded in 2012, we are an innovative, space mission enabler providing flexible, cost-effective solutions to government, defense, intelligence and commercial companies around the globe. Our products and services include satellite manufacturing and technology integration, AI-driven space-based data solutions, mission planning and management operations, AI/ML products and services, and space and defense hardware manufacturing. With our mission of Space Access Reimagined®, we are committed to rapid innovation, adaptable and cost-effective solutions, and the optimization of space system and data collection performance.

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

As a forward-thinking mission partner, we excel at responding swiftly to change. We work closely with global clients to co-develop mission solutions tailored to both technical requirements and budget constraints. Our Cielo™ AI data processing algorithms can be updated while in orbit, which provides additional mission flexibility. By leveraging our vertically integrated in-house capabilities—engineering, manufacturing, and mission management—we are able to rapidly pivot and deliver at the pace of innovation.

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

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We have demonstrated proven space heritage, successfully launching three hybrid, additively manufactured LizzieSat® satellites equipped with advanced AI edge-computing capabilities in just over 12 months. This achievement underscores our position as a leader in space technology, artificial intelligence, and innovation. This success is built on more than a decade of experience delivering flight-proven systems, platforms, devices, and hardware for customers such as NASA, the Department of Defense (DoD), SpaceX, and Blue Origin. We are strategically headquartered on Florida's Space Coast, which provides easy access to nearby launch facilities, and we operate a 35,000-square-foot manufacturing, assembly, integration, and testing facility which reduces production time. We have an experienced team with expertise in multi-disciplinary engineering, mission-critical hardware manufacturing, satellite design, production, launch planning, mission operations, and in-orbit support.

We continue to focus on innovation and agility. In October of 2024, we received approval from the U.S. Federal Communications Commission (FCC) to operate a micro constellation of remote sensing, multi-mission satellites in Low Earth Orbit (LEO), and we continue to enhance the capabilities of our LizzieSat® platform. Planned enhancements include:

- Open VPX/ SOSA compatible architecture with simplified assembly and integration, reduced mass, and better performance
- Integration of AI processor capable of handling 248 trillion or Tera Operations Per Second (TOPS)
- Upgraded payload processor with Field Programmable Gate Array (FPGA) capable of handling payloads at high speed up to 12 Gb/s; also includes five times more computing power and more speed with a 1.8 GHz quad core processor
- Up to 4 Tb memory storage
- Upgraded 2nd generation FeatherEdge^{tm} AI/ML processor that incorporates a space-to-space data relay module, enabling rapid, direct-to-user data transfer for time-sensitive missions.

Products and Services

We provide adaptable yet cost efficient solutions with the full understanding and experience of the entire space life cycle from hardware manufacturing to mission planning and operations to space-based data delivery**.**

Custom satellite design and manufacturing: We provide custom satellite design services, working closely with clients to develop satellite solutions aligned with specific mission objectives. Using the modular LizzieSat® platform, which can be adapted for various technologies and mission requirements, we support the design and integration process from concept to completion. This flexible approach is intended to deliver tailored satellite designs that can meet a broad range of operational and data collection needs. We currently have three variations of our LizzieSat® platform:

- **LizzieSat®** (Gen 1: LS1-3): Multi-mission satellite for a multi-mission micro constellation
- **LizzieSat-XL** (Gen 2: LS4+): Upgraded VPX Technology for Next Generation Communication
- **Lunar Lizzie:** Expanded battery capacity and atomic clock for precise and accurate clocking

We also offer fully customized satellite design services for any mission in Leo, Geo, Cislunar or Lunar.

Technology hosting and mission management: We offer technology hosting and mission management services designed to simplify clients' path to space and enable clients to focus on their mission goals without the complexities of satellite operation. We provide integration for a variety of payloads using our LizzieSat® platform. While on-orbit, we provide 24/7/365 real-time routine and non-real-time mission operations, including satellite monitoring, control, and data management. Our support includes:

- Amazon Web Services cloud-based servers for data transfer and archival
- Backup control center capability
- In-house designed C2 routing, encryption, and customer API integration
- Multiple ground station providers available for use to meet customer needs
- Physical and cyber security to ensure satellite and onboard technologies are protected

AI enhanced space-based sensor Data-as-a-Service: We offer AI-enhanced Data-as-a-Service, utilizing the Orlaith™ AI ecosystem, which includes our FeatherEdge™ AI processor and Cielo™ AI solutions from space, on the LizzieSat® platform to deliver timely data insights from space. The LizzieSat® design enables simultaneous on-orbit data collection from multiple sensors, with the flexibility to combine data streams in unique ways to support diverse applications and missions from the same platform.

By processing onboard sensor data directly and transmitting only crucial information, the Orlaith™ AI ecosystem reduces downlink costs and significantly bolsters response times for critical events. Additionally, Cielo™ AI algorithms can be upgraded while in orbit, providing adaptability for evolving mission needs. The data-as-a-service approach is designed to support applications in environmental monitoring, disaster response, security, and more, offering customers access to near real-time data that can aid in informed decision-making. The data-as-a-service is a subscription-based model with multiple price tiers based on span of data accessed and is applicable to multiple customers including government (e.g., climate change, environmental disasters), defense (e.g., border security), and commercial (e.g., insurance).

Space and Defense Manufacturing: We provide a range of space products and manufacturing services, including mission-critical components and systems engineered for space environments. Our 35,000-square-foot ISO 9001:2015, AS9100 Rev. D certified facility supports the manufacturing, testing, and assembly of space-grade hardware. We work to deliver high-quality, reliable space products for government, defense, and commercial clients by leveraging its expertise in engineering and mission-critical manufacturing. Our space offerings include:

- Multi-material 3D printing technology for the fabrication of a complex satellite bus and parts. 3D printing revolutionizes the space manufacturing process by reducing production costs and lead times while reducing the weight of the satellite bus. The technology has been successfully used on-orbit.
- Precision machining
- Multi-discipline engineering and design services
- Program management including supply chain management

We have an approximately 10,000 square-foot reconfigurable avionics lab that produces a wide range of space system flight and ground cables, medical and mission critical wire harnesses, military harness assemblies, electronic chassis, and electro-mechanical assemblies. Additionally, our 864 square foot, ISO-8 clean room allows us to offer highly differentiated manufacturing and assembly.

Our manufacturing capabilities combine our design engineering, precision machining, waterjet cutting, and wire harness fabrication experience to provide the highest quality and performance for mission critical systems.

Precision Machining and Assembly

Our growing team of engineers and technicians, combined with state-of-the-art equipment support precision machining, fabrication, and assembly for prototypes, test articles, one-offs, low-rate initial production up through high volume Swiss screw machining production. We utilize the latest CNC machining and turning processes to deliver high-quality, complex and on-demand parts for specialized industries including the space sector.

- CNC Swiss Screw Machining
- CMM, VCMM Quality Inspection
- EDM Wire and Waterjet Cutting
- 3-D Printing
- Welding

3D Printing

From early-stage product development to functional finished parts, we offer commercial and industrial-grade additive manufacturing solutions. Our 3D printers enable us to provide rapid manufacturing with industrial micron-level laser scanning accuracy and 50 µm repeatability. Using Continuous Fiber Fabrication technology, we can produce parts at an enhanced schedule that are stronger than 6061 Aluminum and 40% lighter. We provide internal engineering support to optimize the functional performance, product life cycle, and accuracy of its customers' specific 3D printed technology to ensure repeatability and consistency across prints. Our 3D printing capabilities include:

- Functional Prototypes and Models
- Production Parts
- End-life Production
- Tool Development
- Patterns and Molds
- Jigs and Fixtures
- Fly-Away Parts

Mechanical/Electrical Assembly and Test

- Flight/Ground Cable and Wire Harnesses
- Ground Support Equipment
- Manned Spaceflight Rated Hardware
- Satellite Components
- Part Task Trainer Hardware

As part of our 35,000 square foot manufacturing facility, we have a reconfigurable electronics and cable harness fabrication lab with the necessary equipment, staff and square footage to produce space flight and ground cables and electronic chassis. Our experience and capabilities include manufacturing, assembly and testing of a wide selection of electrical control cabinet and electronic cabinet modification and fabrication processes. We have extensive experience assembling electronics, including soldering, crimping, multi-pinned connector terminations, fusion splicing, molding, potting, and testing.

Certifications include NASA 8739.4, NASA 8739.5, J STD 001 and IPC A 610. Our IPC-J-STD-001 accredited technicians adhere to NASA work standards KSC-E-165, KSC-GP-864, KSC-STD-132, all required for NASA 8739.4 credentials with other industry-standard certifications.

Design Engineering

We provide quality in-house design engineering services from up-front analysis to integration, assembly, and test. Our ISO 9001:2015 / AS9100D certified engineering capabilities include the ability to perform initial design concepts or value-add engineering change recommendations to existing engineering. Our multidisciplinary engineering experience and talent cover a broad spectrum of capabilities, enabling an even more comprehensive range of projects. Our design engineering capabilities include:

- Requirements Definition – Product development and process optimization
- Verification/Validation (multiple checks and balance) – Meets specification and intended purpose
- Model Based Systems Engineering – Use of visual modeling vs document-based information exchange
- 3D CAD & 2D Engineering Release – Managing, planning, scheduling, and controlling
- Test Procedures and Performance – Meets customer driven requirements

- Operations/Maintenance Manuals – Fully integrated and procedurally driven
- System Integration – Horizontal sub-system integration approach to projects and programs
- Design for Life Cycle Cost & Manufacturing – Incorporation of innovative design manufacturing
- Model Based Data Control – Complex design verification/validation
- Finite Element and Failure Mode & Effects Analysis
- Design for Manufacturability

Our broad range of support of international and domestic governments and commercial companies includes the Netherlands Organization, U.S. Department of State, the U.S. Department of Defense, NASA, Collins Aerospace, Lockheed Martin, Teledyne Marine, Bechtel, Sierra Space, Intuitive Machines, OneWeb Satellites, Parsons Corporation, and L3Harris in areas that include but are not limited to launch vehicles, satellites, and autonomous underwater vehicles.

Technology Design and Integration: We leverage our manufacturing and technology expertise to address critical space supply chain challenges with initiatives that are expected to further our mission of Space Access Reimagined®, providing flexible and cost-effective solutions to an expanding global customer base.

- Orlaith™ AI Ecosystem which includes FeatherEdge™ hardware, a compact data processing unit tailored for AI applications in orbit, and Cielo™, AI solutions from space, for delivering insights from diverse sensor sets
- FeatherEdge™ is a compact data processing unit tailored for AI applications in orbit. Its small size and low power design enable compatibility with diverse satellite platforms or as a standalone product. In addition to satellites, it can be integrated in the most remote and challenging environments such as drones, ships, aircraft, and high altitude balloons to provide high-performance computing and communications at the edge
- Reusable flight software
- Flight computer simulator software
- Lab-based integration and test-bed platform
- VPX System including OBC/GPU
- Printed Circuit Board for GPS, radio, microcontrollers

Key Achievements to date

- Successfully launched **LizzieSat®-1** in March 2024 and **LizzieSat®-2** in December 2024, establishing our micro-constellation for delivering near real-time solutions for our customers' mission critical needs. In Q1 2025, we completed the build and launch of our third commercial satellite, **LizzieSat®-3**, equipped with both Sidus and customer-hosted technologies
- Signed an extended and amended preliminary contract valued at $120M for the previously executed contract to exclusively design and build the first-generation lunar fleet of Data Storage Spacecraft for Lonestar Data Holdings, a provider of premium data storage and Resiliency-as-a-Service (RAAS), which reinforces the adaptability of the LizzieSat® platform
- Established a fully operational mission control center to manage satellite operations, orchestrate collection management tasks and satisfy data distribution requests for our own constellations and others utilizing Neuraspace to provide space traffic management and LEOP (Launch and Early Operations) support services, enhancing Sidus' constellation operation capabilities
- Received approval by the U.S. Federal Communications Commission (FCC) for operation of a micro constellation of remote sensing, multi-mission satellites in Low Earth Orbit (LEO) as well as FCC Approval for Space-to-Space Data Relay Capability for LizzieSat®
- Awarded second contract to integrate HEO Holmes Imager aboard LizzieSat®-3
- Awarded contract with Xiomas Technologies to supply FeatherEdge™ computing system for fire detection via high-altitude infrared imaging
- Awarded $2 million contract from Craig Technologies to manufacture two fleet interactive display equipment (FIDE) pre-production unit main panels for U.S. Navy Propulsion systems
- Awarded subcontract on the $30M Intuitive Machines-led Moon RACER team for the NASA Lunar Terrain Vehicle Services (LTVS) contract in support of the Agency's Artemis Campaign and begun work

- Expanded capabilities related to Lunar missions following award of the NASA Lunar Terrain Vehicle Services Contract as a member of the Intuitive Machines-led Moon Reusable Autonomous Crewed Exploration Rover team
- Announced strategic partnerships with international partners in support of the Sidus International Space Center, to include German satellite manufacturing startup Reflex Aerospace, Japanese space-tech company Warpspace specializing in next-generation optical communication technologies and NamaSys Bahrain, a multi discipline Technology & Electronic Security Consultancy supporting Saudi Arabia space initiatives
- Awarded follow on contract for additional support to NAA Stennis Space Center for Autonomous Satellite Technology for Resilient Application (ASTRA) historic in-space payload mission with NASA Stennis Space Center and secured follow-on contract for additional ASTRA support
- Demonstrated Sidus Orlaith^{tm} on-orbit capability with an AI enhanced, thermal sensing firefighting software solution, showcasing the ability to process large sets of raw data in space and deliver only relevant information to end users. This achievement established flight heritage, which is the history of successful operation of a particular component, subsystem, or system in a space environment, for our Sidus Orlaith^{tm} AI Ecosystem edge computing hardware and software solutions
- Incorporated space-to-space data relay module, enabling rapid, direct-to-user data transfer for time-sensitive missions into LizzieSat®-3 communication system
- Completed the critical design review for LizzieSat® NL, a laser communication satellite contracted by The Netherlands Organization
- Demonstrated manufacturing excellence by producing and delivering thousands of unique parts to 14 customers across commercial, government and defense sectors, reinforcing Sidus' role as a trusted provider of mission-critical hardware
- Strengthened intellectual property portfolio with the approval of new patents and the publication of a patent application protecting enhanced functionality of the LizzieSat® Modular Satellite Platform System
- Developed and achieved flight heritage for the Sidus low voltage differential signaling (LVDS) switch card, which extends the capabilities of the payload processor, enabling communication with multiple optical sensors through high speed LVDS data connections
- Extended partnership as protégé with L3Harris under Department of Defense Mentor-Protégé Program
- Continue to leverage our multi-year, multi-launch agreement with Space-X thereby offering customers by extension a reliable, cost-effective launch service with a steady cadence of launches.
- Signed a Memorandum of Understanding (MOU) with Reflex Aerospace to form a U.S.-based Joint Venture focused on delivering flexible, cost-effective, and high-performance solutions to meet diverse customer needs while strengthening their presence in global markets
- Unveiled near real-time vessel detection and classification capability, enabled by our hybrid 3D printed LizzieSat® satellite platform. This involves processing data directly onboard LizzieSat® through the Sidus Orlaith™ AI Ecosystem which includes FeatherEdge™ edge computing hardware, the OrbitfyEdge software from Little Place Labs
- Received a Notice of Allowance of U.S. Patent Application Serial No. 17/828,233, titled System for a Modular Satellite Testing Platform. This patent application is directed to the structural elements of the LizzieSat® Satellite
- Signed a Memorandum of Understanding (MOU) with Saturn Satellite Networks, Inc., to outline a strategic collaboration to support the development and deployment of Saturn's SBN-X platform — a new low-cost, high-performance GEO satellite solution
- Achieved successful on-orbit operation of FeatherEdge™ Gen-2 aboard LizzieSat®-3
- Launched Fortis™ VPX, a ruggedized, modular, SOSA™ aligned computing system engineered for high-reliability command and data handling (C&DH), advanced artificial intelligence/machine learning (AI/ML) processing, and precision navigation in extreme environments
- Established partnership with VORAGO Technologies to validate and integrate next-generation radiation-hardened microcontroller (MCU) technology through VORAGO's Alpha Customer Program
- Unveiled LunarLizzie™: A next-generation 800kg-class lunar platform designed with proven edge AI for near real-time intelligence
- Achieved successful on-orbit operation of our Automatic Identification System (AIS) sensor onboard LizzieSat®-3
- Awarded a five-year Indefinite Delivery/Indefinite Quantity (IDIQ) contract under the Tobyhanna Army Depot (TYAD) Industrial Multiple Award Task Order Contract (MATOC) program

Differentiation:

Our LizzieSat® satellite platform has been designed to provide a standard, modular satellite platform that serves as the foundation for multiple missions for Leo, Geo, Cislunar, Lunar and beyond. Additionally, our platform provides differentiated data collection when compared to industry alternatives. The LizzieSat® multi-mission satellite for a multi-mission constellation leads the next generation of earth and space data collection by:

- Collecting on-orbit coincident data: LizzieSat® is capable of hosting multiple-sensors on the same satellite to collect varying data types at the same time and with the same collection geometry. On-orbit coincident collection provides the opportunity to develop higher value data by creating derivative products through data fusion of multiple types of sensor outputs.

- Analyzing data on the satellite on-orbit: Our satellites are Sidus' proprietary artificial intelligence ecosystem, Sidus Orlaith™. Sidus Orlaith™ enables on-orbit data processing for critical applications such as Space Situational Awareness (SSA), maritime monitoring and disaster response. The Sidus Orlaith AI Platform™ is powered by the edge computer, FeatherEdge™ GEN 2, featuring the NVIDIA Jetson NX Orin module which is capable of 100 trillion or Tera Operations per Second (TOPS). This advanced space–rated AI processing system is optimized for delivering high-performance, near real-time data analytics directly from space. Enhancements to future satellites include an upgraded FeatherEdge^{tm} processor that can 248 trillion or Tera Operations Per Second (TOPS).

- Space to Space Data Relay: By processing data at the edge on-board LizzieSat®, we can reduce the file size and transmit only the processed solution, not the entire raw dataset. This enables us to move data from low-earth orbit to higher orbit data relay services for a lower-cost and more continual data transmission option to our customers. Additionally, it significantly reduces downlink costs and enhances response times critical to customer applications. LizzieSat™-3 is upgraded to harness the powerful combination of rapid direct-to-user data transfer capability and on-orbit Artificial Intelligence by integrating a space-to-space data relay module to provide data vital to organizations utilizing direct-to-device hardware.

- Post-launch mission additions: Our LizzieSat® satellites have been designed with a system flexible enough to support new customer missions post-launch (through software and algorithm updates) to allow Sidus to generate additional revenue on LizzieSat® platforms that have already launched and are operating on orbit.

The net value of data collected from our planned LizzieSat® constellation is expected to allow organizations to make better decisions with higher confidence, and increased accuracy and speed. We expect to enrich this processed data with customizable analytics users control for their own use case, and in turn provide data as a subscription across industries to organizations so they can improve decision-making and mitigate risk.

Planned services that benefit current and future customers include 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 Automatic Identification System (AIS), Air Traffic Control Automatic Dependent Surveillance, and weather monitoring; providing the ability for customers to demonstrate that a technology (hardware or software) performs successfully in the harsh environment of space and delivering space services. Our operating strategy is to continue to capitalize on our smart vertical integration to enhance the capabilities of our multi-mission satellite constellation, to design and manufacture satellites for government and commercial customers utilizing our advanced and proprietary technologies, to increase our international and domestic partnerships and to expand our coincident data analytics offerings in order to increase the value we deliver to our customers. Our two primary operating assets—our satellite constellation and our manufacturing facility and capability - complement each other and are the result of years of experience and innovation.

Key Factors Affecting Our Results and Prospects

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

Expanding Commercial Satellite Operations

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

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

In Q2 2024, we announced the successful on-orbit activation of the FeatherEdge™ processer which enables us to deliver near real-time intelligence derived from earth observation data. Further expanding the capabilities of our constellation, we implemented the SatLab A/S second-generation automated identification system (AIS) technology into the LizzieSat® satellite constellation. AIS technology uses sophisticated systems on board marine vessels to identify and track ships to prevent collisions and protect life at sea. The integration of this technology, combined with data from optical sensors on board LizzieSat®, enables unique vessel tracking and monitoring solutions while providing valuable information about ship movements in real time. In addition to AIS technology, we have integrated visual spectrum and multispectral imagers into our sensor suite and expect to expand the sensors to include software defined multispectral or hyperspectral sensors for future satellite missions.

We have previously been approved for our X-band and S-band radio frequencies licensing through a published filing by the ITU on April 6, 2021. Such licenses are held through Aurea Alas, Ltd., an Isle of Man company, which is a Variable interest entity to us. The ITU filing contains approved spectrum use for multiple X-Band and S-Band frequencies and seven different orbital planes, including 45 degrees. In August 2023, the FCC granted Sidus a LizzieSat® experimental launch and operating license for launch and deploy on a SpaceX Falcon 9 Transporter 10 mission. This license includes approval for orbital operations utilizing the previously approved ITU S-band and X-band frequencies and ground station coverage. We also received FCC Part 25 license approval for the LizzieSat® satellite constellation missions two through five in October of 2024. The National Oceanic and Atmospheric Administration (NOAA), an agency of the U.S. Department of Commerce, granted a Tier 1 license authorizing Sidus to operate LizzieSat, a private remote-sensing space system in 2024.

We currently have several satellites in production and expect to launch four to six more LizzieSat® satellites ranging from 100kg to 400kg over the next 24 months. In addition, we expect to begin building satellites for other customers including lunar missions.

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

Growing and expanding our experienced space hardware operations

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

Vertically Integrated Space Infrastructure Manufacturing

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

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

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

Our patented space-related technologies include a print head for regolith-polymer mixture and associated feedstock; a heat transfer system for regolith; a method for establishing a wastewater bioreactor environment; vertical takeoff and landing pad and interlocking pavers to construct same; and high-load vacuum chamber motion feedthrough systems and methods. Regolith is a blanket of unconsolidated, loose, heterogeneous superficial deposits covering solid rock. It includes dust, broken rocks, and other related materials and is present on earth, the moon, Mars, some asteroids, and other terrestrial planets and moons. We continue to patent our products including our satellites, external platforms and other innovations. Sidus holds 14 granted patents and 13 pending applications.

Revenue Generation

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

Lowering Manufacturing Cost and Schedule

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

Environmental, social, and corporate governance

We have been in business for over ten years manufacturing space hardware and components, and in that time, implementation of policies and processes to mitigate environmental impact have been of upmost 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.

Our Growth Strategies

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

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

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

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

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

Global Space Industry Overview

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

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

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

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

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

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

Launch Market

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

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

Small Satellite Market

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

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

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

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

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

Results of Operations

Comparison of quarter ended September 30, 2025, to quarter ended September 30, 2024

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

	Three Months Ended September 30,			
	2025	2024	Change	%
Revenue	$ 1,298,058	$ 1,868,958	$ (570,900)	(31)%
Cost of revenue	2,597,023	1,830,787	766,236	42%
Gross Profit (Loss)	(1,298,965)	38,171	(1,337,136)	(3503)%
Gross Profit (Loss) Percentage	(100)%	2%		
Selling, General & Administrative Expense	4,332,441	3,210,069	1,122,372	35%
Other income (expense)	(402,193)	(730,691)	328,498	(45)%
Net loss	$ (6,033,599)	$ (3,902,589)	$ (2,131,010)	55%

Revenue

Total revenue for the three months ended September 30, 2025 decreased $570,900 compared to the three months ended September 30, 2024. Non-related party revenue decreased by approximately 68% for the three months ended September 30, 2025, to approximately $559,000 as compared to approximately $1.8 million for the three months ended September 30, 2024. This was primarily driven by the timing of fixed price milestone contracts revenue. Related party revenue increased 562% to approximately $739,000 for the three months ended September 30, 2025 versus approximately $112,000 for the three months ended September 30, 2024. This was influenced by the timing of fixed-price milestone contracts.

Cost of Revenue

Cost of revenue increased 42% for the three months ended September 30, 2025 to approximately $2.6 million as compared to approximately $1.8 million for the three months ended September 30, 2024 and included approximately $654,000 related party cost of sales as of September 30, 2025 and approximately $58,000 as of September 30, 2024. The overall increase in cost of revenue was primarily driven by a mix of contracts of varying types, satellite and related software depreciation expense increase of approximately $500,000 versus 2024, and approximately $250,000 increased direct labor costs due to the contracts processed in the quarter were more labor intensive.

Gross Profit (Loss)

The 3503% decrease in our gross profit for the three months ended September 30, 2025 to a loss of approximately $1.3 million as compared to a profit of approximately $38,000 for the three months ended September 30, 2024, was driven primarily by higher satellite and related depreciation costs, our mix of varying types of contracts with higher labor expenses and a decrease in our higher margin business.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses increased approximately $1.1 million when compared with the same period in 2024. This was primarily due to the following:

- An increase of approximately $505,000 in general and administrative labor costs and benefits to $2.2 million compared to $1.7 million in 2024. This increase was primarily driven by approximately $658,000 related to increased headcount to support the needs of the business partially offset by a reduction of $130,000 based on company performance related to expense accruals associated with equity-based compensation and bonus plans implemented in Q1 2025 and $23,000 lower employee severance costs.

- An increase of approximately $293,000 fundraising related expenses versus none in 2024 due to timing of capital raises each year.

- An increase of approximately $80,000 rebooking expense related to timing of satellite launches to approximately $89,000 compared to approximately $9,000 in 2024.

- An increase of approximately $77,000 in mission operations related expenses to $335,000 compared to $258,000 in 2024 related to ground support required for tracking and communicating with our multiple satellites in orbit.

- An increase of approximately $61,000 in consulting outside services expense to $287,000 compared to $226,000 in 2024 due to business development and sales consulting services as well as temporary office and operations related labor.

- An increase of approximately $22,000 depreciation expense to approximately $95,000 compared to approximately $72,000 in 2024.

These increases were partially offset by the following decreases:

- A decrease of approximately $20,000 in insurance expense to approximately $161,000 compared to approximately $182,000 in 2024 primarily related to a reduction in our D&O insurance rates

- A decrease of $21,000 in business taxes primarily due to timing of an increase in 2024 franchise taxes.

Total other income (expenses)

Other income and (expenses) showed a decrease of $328,498 to $402,193 compared to $730,691 in 2024 primarily due to a decrease in interest expense related to the Note Payable which was paid off in January 2025, and an increase in interest income. This was partially offset by an increase in interest expense related our asset-based loan.

Nine Months Ended September 30, 2025 compared to the Nine Months Ended September 30, 2024

	Nine Months Ended September 30,			
	2025	2024	Change	%
Revenue	$ 2,797,575	$ 3,846,683	$ (1,049,108)	(27)%
Cost of revenue	6,752,160	4,565,549	2,186,611	48%
Gross Profit (Loss)	(3,954,585)	(718,866)	(3,235,719)	450%
Gross Profit Percentage	(141)%	(19)%		
Selling, General & Administrative Expense	13,040,152	9,912,466	3,127,686	32%
Other expense	(1,078,559)	(1,217,841)	139,282	(11)%
Net loss	$ (18,073,296)	$ (11,849,173)	$ (6,224,123)	53%

Revenue

Total revenue for the nine months ended September 30, 2025 decreased approximately $1.0 million compared to the nine months ended September 30, 2024. Non-related party revenue decreased by approximately 59% for the nine months ended September 30, 2025, to approximately $1.4 million as compared to approximately $3.4 million for the nine months ended September 30, 2024. This was primarily driven by the timing of fixed price milestone contracts revenue. Related party revenue increased 239% to approximately $1.4 million for the nine months ended September 30, 2025 versus approximately $410,000 for the nine months ended September 30, 2024. This was influenced by the timing of fixed-price milestone contracts and an increased number of contracts our related party entered into with its customers, requiring increased outsourcing of its work to us.

Cost of Revenue

Cost of revenue increased 48% for the nine months ended September 30, 2025 to approximately $6.8 million as compared to approximately $4.6 million for the nine months ended September 30, 2024 and included approximately $1.1 million related party cost of sales as of September 30, 2025 and approximately $272,000 as of September 30, 2024. The overall increase in cost of revenue was primarily driven by a mix of contracts of varying types, satellite and related software depreciation expense increase of approximately $1.6 million versus 2024 and higher labor costs associated with more labor-intensive contracts processed in 2025.related to the manufacturing side of our business.

Gross Profit (Loss)

The 450% decrease in our gross profit for the nine months ended September 30, 2025 to a loss of approximately $3.9 million as compared to a loss of approximately $719,000 for the nine months ended September 30, 2024, was driven primarily by higher satellite and related depreciation costs, our mix of varying types of contracts with higher labor expenses and a decrease in our higher margin business.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses increased approximately $3.1 million when compared with the same period in 2024. This was primarily due to the following:

- An increase of approximately $2.6 million in general and administrative labor costs and benefits to $7.5 million compared to $4.8 million in 2024. This increase was primarily driven by approximately $1.8 million related to increased headcount to support the needs of the business, $652,000 related to expense accruals associated with equity-based compensation and bonus plans implemented in Q1 2025 and $203,000 related to employee severance costs.

- An increase of approximately $347,000 in mission operations related expenses to $952,000 compared to $604,000 in 2024 related to ground support required for tracking and communicating with our multiple satellites in orbit.

- An increase of approximately $177,000 in consulting and outside services expense due to business development and sales consulting services as well as temporary office and operations related labor.

- An increase of approximately $151,000 in fees related to rebooking and payment timing with our launch provider and fees related to the January 2025 payoff of our note payable. Total fees were $188,000 compared to $36,000 in 2024.

- An increase of approximately $129,000 in depreciation expense to approximately $292,000 compared to approximately $163,000 in 2024.

These increases were partially offset by the following decreases:

- A decrease of approximately $252,000 in professional and outside consulting services to $527,000 compared to $778,000 in 2024 primarily related to lower outside accounting related expenses.

- A decrease of $138,000 in insurance expense primarily related to a decrease in our D&O insurance rates.

- A decrease of approximately $113,000 in fundraising related expense to $298,000 in 2025 due to timing of capital raises.

Total other income (expenses)

Other income and (expenses) showed a net decrease of $139,282 to $1,078,559 compared to $1,217,841 in 2024 primarily due to a decrease in interest expense related to the Note Payable which was paid off in January 2025 and an increase in interest income. This was partially offset by increase in interest expense related to our asset-based loan.

NON-GAAP MEASURES

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

The following table reconciles adjusted EBITDA to net loss (the most comparable GAAP measure) for the three months ended September 30, 2025 and 2024:

	Three Months Ended September 30,			
	2025	2024	Change	%
Net Income / (Loss)	$ (6,033,599)	$ (3,902,589)	$ (2,131,010)	55%
Interest Income/Expense (i)	402,552	733,714	(331,162)	(45)%
Depreciation and Amortization (ii)	1,157,840	636,416	521,424	82%
Fundraising expense (iii)	307,950	-	307,950	N/A
Severance Costs	-	3,192	(3,192)	N/A
Equity based compensation (iv)	188,615	76,013	112,602	148%
Total Non-GAAP Adjustments	2,056,957	1,449,335	607,622	42%
Adjusted EBITDA	(3,976,642)	(2,453,254)	(1,523,388)	(62)%

(i) Sidus Space incurred decreased interest income/expense due to decreased interest expense from a short-term note payable due in Q4 2024 and increased interest income, partially offset by increased interest expense related to an asset based loan.

(ii) Sidus Space incurred increased depreciation expense in 2025 with the launch and deployment of satellite fixed assets and related satellite software, as well as new ERP software capitalization.

(iii) Sidus Space incurred internal Fundraising expense related to multiple 2025 capital raises

(iv) Sidus Space incurred increased equity based compensation expense due to incentive programs implemented by the Board in 2025.

	Nine Months Ended September 30,			
	2025	2024	Change	%
Net Income / (Loss)	$ (18,073,296)	$ (11,849,173)	$ (6,224,123)	52%
Interest Income/Expense (i)	1,078,918	1,234,789	(155,871)	(12)%
Depreciation and Amortization (ii)	3,224,809	1,494,448	1,730,361	116%
Fundraising expense (iii)	323,270	560,322	(237,052)	(42)%
Severance Costs	213,743	10,701	203,042	1897%
Equity based compensation (iv)	625,305	236,040	389,265	165%
Total Non-GAAP Adjustments	5,466,044	3,536,300	1,929,744	55%
Adjusted EBITDA	(12,607,252)	(8,312,873)	(4,294,379)	51%

(i) Sidus Space incurred decreased interest income/expense due to lower interest expense from a short-term note payable due in Q4 2024 and increased interest income, partially offset by increased interest expense related to an asset based loan.

(ii) Sidus Space incurred increased depreciation expense in 2025 with the launch and deployment of satellite fixed assets and related satellite software, as well as new ERP software capitalization.

(iii) Sidus Space incurred lower internal Fundraising expense related to timing of capital raises in 2025 versus 2024.

(iv) Sidus Space incurred increased equity based compensation expense due to incentive programs implemented by the Board in 2025.

Liquidity and Capital Resources

The following table provides selected financial data about us as of September 30, 2025, and December 31, 2024.

	September 30, 2025	December 31, 2024	Change	%
Current assets	$ 21,133,582	$ 22,252,552	$ (1,118,970)	(5)%
Current liabilities	$ 15,363,768	$ 14,209,502	$ 1,154,266	8%
Working capital (deficiency)	$ 5,769,814	$ 8,043,050	$ (2,273,236)	(28)%

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

We had an accumulated deficit of approximately $78.4 million and working capital of approximately $5.8 million as of September 30, 2025 compared to accumulated deficit of approximately $60.3 million and working capital of approximately $8.0 million as of December 31, 2024. As of September 30, 2025, we had approximately $12.7 million of cash as compared to approximately $15.7 million as of December 31, 2024.

As of September 30, 2025 working capital is primarily due to funds raised in our September capital raise partially offset by the build out of our LizzieSat satellites in anticipation of additional upcoming launches. As of December 31, 2024, our working capital was primarily due to funds raised in our capital raises completed Q4 2024.

Current assets decreased by approximately $1.1 million to approximately $21.1 million as of September 30, 2025 from approximately $22.2 million as of December 31, 2024. The decrease is primarily attributable to a decrease in cash partially offset by an increase in related party accounts receivable and an increase in prepayments primarily related to satellite components.

Current liabilities are $1.1 million higher at $15.4 million as of September 30, 2025 versus $14.2 million December 31, 2024 primarily related to an increase in our Asset-based loan liability.

Cash Flow

	Nine Months Ended September 30,			
	2025	2024	Change	%
Cash used in operating activities	$ (14,065,111)	$ (10,288,228)	$ (3,776,883)	37%
Cash used in investing activities	$ (5,789,805)	$ (5,102,661)	$ (687,144)	13%
Cash provided by financing activities	$ 16,885,424	$ 15,406,183	$ 1,479,241	10%
Cash on hand	$ 12,734,087	$ 1,231,401	$ 11,502,686	934%

Nine Months ended September 30, 2025 and 2024

Cash Flow from Operating Activities

For the nine months ended September 30, 2025, net cash flows used in operating activities was approximately $14.1 million compared to approximately $10.3 million during the nine months ended September 30, 2024.

Cash flows used in operating activities for the nine months ended September 30, 2025 of approximately $14.1 million is comprised of a net loss of approximately $18.1 million, which was reduced by non-cash expenses of approximately $625,000 for stock-based compensation, approximately $3.2 million for depreciation, and a decrease in working capital of approximately $158,000.

Cash flows used in operating activities for the nine months ended September 30, 2024 of approximately $10.3 million is comprised of a net loss of approximately $11.8 million, which was reduced by non-cash expenses of $236,040 for stock-based compensation and approximately $1.5 million for depreciation, and an increase in working capital of approximately $170,000.

Cash Flows from Investing Activities

During the nine months ended September 30, 2025 and 2024, we invested approximately $5.8 million and $5.1 million respectively in property and equipment primarily related to purchasing satellite related components and software.

Cash Flows from Financing Activities

During the nine months ended September 30, 2025, net cash provided in financing activities of $16.9 million included proceeds from multiple capital raises of approximately $15.5 million, proceeds from the exercise of warrants from our December 2024 capital raise of approximately $2.4 million and net proceeds of approximately $2.1 million from an asset-based loan and repayment of a note payable approximately $3.1 million.

During the nine months ended September 30, 2024, net cash provided in financing activities of approximately $15.4 million included multiple capital raises of approximately $13.7 million net proceeds from an asset-based loan of approximately $1.8 million and repayment of a note payable of $150,000.

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
- Credit losses
- Lease Accounting
- Stock Option and Warrant Valuation

Revenue Recognition

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

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

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

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

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

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

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

Inventory

Inventory consists of work in progress and finished goods and consists of estimated revenue calculated on a percentage of completion based on direct labor and materials in relation to the total contract value. We do not maintain raw materials.

Credit Losses

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

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.

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

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

Stock Option and Warrant Valuation

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

JOBS Act

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are not required to provide the information required by this Item as we are a "smaller reporting company," as defined in Rule 12b-2 of the Exchange Act.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Report, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control

There have been no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2025 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, 2024 ("Annual Report"). There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Annual Report, which could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

During the three months ended September 30, 2025, none of the Company's directors or officers adopted or terminated any "Rule 10b5-1 trading arrangements" or any "non-Rule 10b5-1 trading arrangements," as each term is defined in Item 408 of Regulation S-K.

ITEM 6. EXHIBITS.

Exhibit No.	Description
1.1	Placement Agency Agreement dated July 27, 2025 (incorporated by reference to Exhibit 1.1 to Form 8-K filed on July 28, 2025)
4.1	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.1 to Form 8-K filed on July 28, 2025)
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 September 30, 2025 is formatted in Inline XBRL

* Filed herewith.

SIGNATURES

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

SIDUS SPACE, INC.

Date: November 14, 2025

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

Date: November 14, 2025

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