

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

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

For the fiscal year ended December 31, 2025

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-41961

**Unusual Machines, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**66-0927642**

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

**5728 Major Blvd  
Suite 250  
Orlando, FL**

(Address of principal executive offices)

**32819**

(Zip Code)

Registrant's telephone number, including area code: (720) 383-8983

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01	UMAC	NYSE American

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$0.01 per share: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No X

Indicate by check mark whether the registrant (1) 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 X 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 X No

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 30, 2025, the last business day of the registrant's most recently completed second fiscal quarter, the common stock of the registrant is listed on the New York Stock Exchange American ("NYSE American"). The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$ 197,646,688 as of June 30, 2025 (based on the closing sale price of \$8.57 as quoted by the NYSE American as of June 30, 2025).

As of March 11, 2026, there were 38,889,911 shares of the registrant's common stock outstanding.

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We maintain a corporate website at [www.unusualmachines.com](http://www.unusualmachines.com). The information contained on our corporate website is not part of this Annual Report on Form 10-K.

*Unless we state otherwise or the context otherwise requires, the terms "Unusual Machines," "we," "us," "our" and the "Company" refer to Unusual Machines, Inc., a Nevada corporation.*

#### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or Annual Report, contains forward-looking statements that involve risks and uncertainties. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical facts contained in this Annual Report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "intends", "plans", "anticipates", "believes", "estimates", "predicts", "potential", "continue" or the negative of these terms or other comparable terminology.

Forward-looking statements are neither historical facts nor assurances of future performance, and are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- Our failure to effectively manage our rapid growth;
- our assumptions about future purchase orders, which may cause us to have to write off some of the inventory in the future;
- the impact of the imposition of tariffs, trade wars and a potential recession may have on our business;
- our dependence on significant customers and our failure to generate revenue from those customers may impair our ability to achieve projected financial results;
- our supply risks and reliance on a limited number of suppliers;
- our limited operating history;
- the inherent risks related to our manufacturing business;
- our ability to attract and retain qualified employees and key personnel;
- our ability to manage our rapid growth and organizational change effectively;
- geopolitical military conflicts (including the war in Ukraine and the Middle East and the instability in Latin America and tensions between China and Taiwan);
- our ability to develop and maintain our brand cost-effectively; and
- the other factors set forth in Part I, Item 1A, "[Risk Factors](#)" of this Form 10-K.

These forward-looking statements speak only as of the date of this Form 10-K and are subject to business and economic risks. We do not undertake any obligation to update or revise the forward-looking statements to reflect events that occur or circumstances that exist after the date on which such statements were made, except to the extent required by law.

**Item 1. Business****Background of Unusual Machines**

Unusual Machines, Inc. ("Unusual Machines" or the "Company") is a Nevada corporation organized in 2024 which is a successor to a Puerto Rican corporation organized in 2019. The Company is engaged in the commercial drone industry, with its principal place of business in Orlando, Florida. In September of 2025, the Company acquired Rotor Lab Pty. Ltd., an Australian company ("Rotor Lab").

Unusual Machines manufactures and sells drone components and drones across a diversified brand portfolio through business-to-business ("B2B") sales and a curated retail channel. There is strong brand recognition of the Unusual Machines, Rotor Riot, and Fat Shark brands, particularly in the first person view ("FPV") and small military sub-segments of the drone market. Unusual Machines is rapidly growing its business by onshoring the manufacturing of critical drone components in the United States. With the transition to onshoring drone component production, the Company is expanding B2B sales to customers that require a National Defense Authorization Act ("NDAA")-compliant domestic supply chain.

A key factor in Unusual Machines' component production is the validation of newly supply chains to meet defense and federal procurement requirements. The Defense Contract Management Agency audits new drone components for supply chain and cybersecurity risks. Components that pass the audit can then be put on the actively maintained Blue Framework list. Since August 2024, Unusual Machines has developed six components (and variants) that have been approved and added to the Blue Framework. The Company intends to continue developing and certifying new components through this process to ease acquisition requirements for domestic drone manufacturers, which are ultimately significant customers.

**The Drone Industry**

The drone industry continues to expand as a powerful business, defense, and public safety tool, as well as a popular recreational activity, with growth occurring broadly across our targeted industries. According to Drone Industry Insights' Global Drone Market Report 2025–2030, the global drone market is projected to reach approximately U.S. \$57.8 billion by 2030. A Fact.MR report indicates the drone accessories market was valued at approximately \$25.2 billion in 2024 and is projected to reach ~\$156 billion by 2034 at a ~20% CAGR. Furthermore, the global drone flight controller system market was approximately \$7.14 billion in 2024 and is expected to reach around \$13.05 billion by 2029 (CAGR ~12.8%) according to the Business Research Company. Similarly, Global Market Insights reports that the drone motor market was valued at ~\$4.7 billion in 2024 and is forecast to grow to ~\$9.2 billion by 2030, and ~\$15.9 billion by 2034 at a ~13.1% CAGR. Fortune Business Insights likewise forecasts the motor market at \$6.7 billion in 2025, with expansion toward \$16.3 billion by 2034 as commercial and industrial drone deployment increases.

Unusual Machines intends to pursue strategic acquisition targets that are cash flow positive and manufacture and sell drone components or enable us to domestically produce them. The Company believes that very promising companies (both public and private) are, in many instances, underfunded and unable to scale their innovative products and solutions. We believe that unlocking this potential will be key to industry consolidation. The Company's acquisition strategy is intended to support broader industry shifts toward U.S.-manufactured and NDAA-compliant drone systems, while maintaining a deliberate approach to capital allocation and integration risk.

**Low Cost and Attributable Drone Market Segment**

Unusual Machines principally operates and manufactures components in the Group 1 Unmanned Aerial Systems ("UAS") which is often referred to as the small drone segment of the drone industry. These drones are known for being light weight, high speed, and low-cost attributable drones where responsiveness and situational awareness are essential. In the defense sector, these drones are primarily used for tactical missions with real time intelligence, surveillance, and reconnaissance. In the commercial and consumer sector, these drones are used for freestyle, racing, cinematic production, mapping and commercial use.

This also includes FPV drones where pilots use wearable display devices or screens that provide real-time, first-person video feed from a camera mounted on the drone, creating an immersive operating experience in which the pilot interacts with the aircraft through visual immersion. This experience is enabled by live-streamed video transmitted with ultra-low latency from the drone to the pilot via radio links, enabling precise pilot control. FPV systems integrate onboard cameras, video transmission modules, flight controllers, motors, and pilot display devices that operate as an integrated system over radio communications. While FPV video transmission has historically relied on analog signals, digital transmission systems are increasingly adopted as reliability, range, and image quality improve. These systems require sophisticated electronics capable of maintaining low-latency, reliable performance during flight.

**Plans for Growth, Development, and Expansion**

Unusual Machine's intends to strengthen its market position through continued organic revenue growth while expanding its role as a U.S. supplier of critical drone components. The Company's growth strategy emphasizes disciplined execution, increased operational scale, and expansion of its B2B component sales to commercial and defense-oriented customers.

The Company's business strategy includes (i) increasing its overall customer base through broader adoption of its products across consumer, commercial, and mission-oriented applications; (ii) investing in the development and expansion of hardware products that support increased performance, reliability, and manufacturability; (iii) growing revenue from its existing customer base using a "land-and-expand" approach that establishes initial relationships and deepens engagement over time through consistent product delivery and service; (iv) selectively pursuing acquisitions and partnerships that enhance domestic manufacturing capabilities, supply chain control, or component offerings; and (v) making strategic investments in emerging leaders in the U.S. drone ecosystem that would help us broaden our pipeline and relationships with our suppliers and customers and thereby support the American drone ecosystem.

**Customers**

Historically, Unusual Machines generated a significant portion of its revenue through direct-to-consumer sales via its Rotor Riot e-commerce platform. As Unusual Machines continues to expand its B2B component offerings, enterprise sales have grown to represent a larger portion of total revenue. In 2025, enterprise customers became the Company's primary revenue driver.

The Company's enterprise customer base consists primarily of U.S.-based drone manufacturers and system integrators that purchase components for use in consumer, commercial, and mission-oriented drone platforms. Unusual Machines expects continued growth in this customer base as demand for domestically sourced, reliable, and compliant drone components increases, supported by expanding manufacturing capacity and broader component availability.

**Competition**

Unusual Machines operates in a highly competitive drone and drone components market characterized by rapid technological change, pricing pressure, and the presence of large, well-capitalized international manufacturers. Competition varies by product category and end market, particularly between consumer-facing products and enterprise-focused

component sales.

In the global drone market, SZ DJI Technology Co., Ltd. ("DJI") is the dominant manufacturer, with industry research firms estimating that DJI accounts for a majority of global consumer and prosumer drone sales. DJI's scale and vertical integration create competitive pressure across the industry, while evolving regulatory requirements and customer demand for U.S.-based, compliant supply chains have created opportunities for alternative suppliers. See "Government Regulation and Federal Policy" below for recent information relating to DJI.

Within the drone components market, Unusual Machines competes with domestic and international manufacturers, including T-Motor, Orqa, ModalAI, and ARK Electronics. Competition is based on price, performance, reliability, availability, and compliance.

Unusual Machines differentiates itself by offering price-competitive, domestically manufactured and assembled drone components designed to meet NDAA requirements and align with Department of Defense procurement frameworks, including the Blue UAS ecosystem, while focusing on supply chain control and execution reliability.

## **The Company's Drone Component Manufacturing**

The Company operates multiple manufacturing facilities located near its headquarters in Orlando, Florida. As of March 2026, Unusual Machines operates five facilities in the Orlando area to support domestic drone component production and assembly, one of which is our corporate office. These facilities manufacture a variety of drone components, including motors, headsets, and other critical components. The components support consumer, defense, and enterprise customers. The Company expects to continue to expand its production footprint in the Orlando area in a planful and deliberate manner, including the potential addition of new product categories, such as batteries and cameras, as operational capacity and customer demand support such expansion. See "[Item 1A. Risk Factors](#)."

## **Suppliers**

Unusual Machines sources inventory from approximately 70 suppliers, some of which are subject to varying tariffs. Since 2019, the United States has implemented and continuously increased tariffs on certain imported goods, which Unusual Machines is currently subject to, ranging from 2% to 30%. These tariffs can increase the cost of goods, reducing the Company's profit margins or increasing the total price for our customers.

Certain competitors in the drone retail and components markets are subject to the same tariffs and rely on supply chains that include a greater mix of foreign-sourced products, including components manufactured in China. Unusual Machines' increasing use of domestically manufactured components may reduce relative exposure to tariffs on imported goods and improve supply chain resilience. In addition, evolving trade policies have led some U.S. drone manufacturers to place greater emphasis on domestic sourcing, which the Company believes has supported increased customer interest in U.S.-based component suppliers, including Unusual Machines, that are actively onshoring, although such impacts remain subject to market conditions and policy developments.

For a discussion of risks related to tariffs and international trade policy, see "[Item 1A. Risk Factors](#)—Risks Related to Our Business and Financial Condition."

## **Government Regulation and Federal Policy**

### *National Defense Authorization Act and American Security Drone Act*

In December 2023, Congress passed the NDAA, which includes provisions commonly referred to as the American Security Drones Act ("ASDA"). These provisions are intended to restrict the procurement and use of certain unmanned aircraft systems ("UAS") manufactured or assembled by foreign entities identified as national security threats, including certain Chinese manufacturers. The ASDA has been enacted and is being implemented through federal regulations and agency guidance. Specifically, the American Security Drone Act:

- Prohibits federal departments and agencies from procuring and operating certain foreign commercial off-the-shelf drones or covered unmanned aircraft systems manufactured or assembled in countries identified as national security threats, and establishes a phased timeline to discontinue the use of such systems currently in operation, subject to applicable waivers and implementation guidance.
- Restricts the use of federal funds awarded through certain contracts, grants, or cooperative agreements to state or local governments for (i) the procurement of a covered unmanned aircraft system that is manufactured or assembled by a covered foreign entity or (ii) the operation of such system.
- Requires the Comptroller General of the United States to submit a report to Congress detailing the extent to which federal departments and agencies have procured or operated foreign-manufactured commercial off-the-shelf drones or covered UAS sourced from countries identified as national security threats.

On November 21, 2025, the White House Office of Management and Budget issued Memorandum M-26-02 implementing Section 1829 of ASDA and related provisions. The memorandum requires federal civilian agencies, within 180 days of issuance, to integrate specified information security and risk assessment procedures into UAS procurements and into grants and cooperative agreements that fund UAS acquisitions. In addition, consistent with ASDA and the Federal Acquisition Regulation, federal agencies are prohibited from procuring or operating certain "FASC-prohibited" unmanned aircraft systems manufactured or assembled by designated foreign entities, subject to statutory exemptions and case-by-case waivers. Beginning December 22, 2025, federal funds awarded through grants, cooperative agreements, or other federal awards may not be used to procure or operate such systems except where an applicable exemption or approved waiver applies. We anticipate that this will stimulate additional demand for domestically made drones and drone components.

Implementation of these provisions is occurring through federal rulemaking, including amendments to the Federal Acquisition Regulation ("FAR"), and is subject to agency-specific guidance, exemptions, and transition periods.

### *FCC Equipment Authorization and Countering CCP Drones Act*

In December 2024, Section 1709 of the National Defense Authorization Act was enacted. This provision expands the authority of the Federal Communications Commission ("FCC"), in coordination with national security agencies, to conduct security reviews of certain foreign-manufactured drone systems.

The legislation directs the Nation Security Agencies to conduct a national security determination of the two largest Chinese drone companies (DJI and Autel), within a one year period. If these manufacturers are deemed an unacceptable national security threat, or if a determination is not completed within one year, the FCC may place the entities on its Covered List, which proscribes granting any future FCC licenses, which are necessary for the importation and marketing of UAS in the United States.

In October 2025, the FCC voted unanimously (3-0) to adopt a rule allowing the agency to retroactively ban equipment, including previously authorized wireless devices, if the manufacturer is deemed a national security threat.

On December 23, 2025, the FCC issued guidance of implementation of Section 1709. Going forward UAS seeking FCC approvals must have at least 65% of components, based on value, and must be domestically sourced (under the March 2022 changes to Federal Acquisition Regulation: Amendments to the FAR Buy American Act Requirements). This pertains to drones made in any country other than the United States. The FCC specifically includes motors and batteries. Without meeting this standard, a company must seek a waiver from the FCC in order to receive a license. The FCC updated its Covered List to include drones and drone components produced abroad. The Covered List identifies communications equipment and services that are deemed to pose an unacceptable risk to the national security of the U.S. or the safety and security of U.S. persons. Equipment on the Covered List is prohibited from receiving FCC authorization. The FCC's updated restrictions apply to new device models but do not prohibit the import, sale or use of any existing models previously authorized by the FCC.

On January 7, 2026, the FCC partially reversed the restriction to exempt drones and drone components on the Pentagon's Blue List of cleared UAS aircraft, such as components produced by foreign manufacturers including Sony, Nvidia and Panasonic. However, DJI, the world's drone manufacturer, is based in China and was not included on the Blue UAS List.

As a result of the December restrictions, DJI filed a petition in the U.S. Court of Appeals for the Ninth Circuit challenging the FCC's decision to add foreign drones and components to the Covered List. DJI alleges that the FCC's actions violate the Fifth Amendment and exceed the FCC's statutory authority and that it will sustain severe harm as the FCC has used the ruling to justify restrictions on its ability to import its existing products, as well as new products outside the scope of the ruling, into the U.S. We cannot predict the outcome of this litigation.

While the scope, timing, and outcome of these reviews remain subject to FCC implementation and agency discretion, any resulting restrictions on new equipment authorizations could limit the introduction of new drone models from affected manufacturers into the U.S. market. Such restrictions will apply across consumer, commercial, and enterprise use cases and could increase demand for compliant drone systems and components from U.S.-based suppliers, including Unusual Machines, subject to regulatory interpretation and future policy developments.

#### Department of Defense Policy and the Drone Dominance Initiative

In parallel with legislative and regulatory actions, in December 2025, the Department of War ("DoW") announced Drone Dominance, an iterative \$1.0 billion plan to purchase small, lethal drones over the next two years. This program is designed to accelerate the development, procurement, and deployment of secure, scalable, and cost-effective unmanned systems sourced from domestic and allied suppliers. This and other initiatives emphasize rapid manufacturing, resilient supply chains, and the availability of compliant components suitable for defense and allied applications.

Collectively, these developments reflect a broader federal effort to reduce reliance on foreign-manufactured drone systems and to strengthen the U.S. drone industrial base. While the timing and scope of implementation may vary, the Company believes these actions are contributing to increased demand for U.S.-manufactured and compliant drone components, subject to regulatory interpretation and future policy developments.

#### **Environmental Considerations**

Compliance with applicable environmental laws since inception has not had a material effect upon the Company's capital expenditures, earnings or competitive position. However, drones are battery operated which use electricity for charging. To that extent, except for users who use solar and other non-electrical power to charge drones, users of drones the company sells burn carbon which negatively affects the environment.

#### **Employees and Human Capital Resources**

As of March 6, 2026, the Company had 141 full-time employees and 3 full-time contractors, including our Chief Executive Officer, whose services are performed under a consulting agreement.

#### **Property**

The Company's headquarters are in Orlando, Florida. As of March 2026, we lease five facilities in Orlando, Florida which are utilized for manufacturing, warehousing and a corporate office. We also lease a facility in Canberra, Australia which is utilized for motor manufacturing. Our leases total 62,500 square foot in the aggregate.

#### **Intellectual Property**

The Company has consolidated its IP into a subsidiary, UMAC IP Holdings Corp. The IP portfolio primarily includes design and utility patents related to FPV headsets. None of the patents are currently licensed and IP is generated in the general course of doing engineering design.

The following table summarizes currently issued patents (indicated by "Issued") including the grant dates thereof, and patent applications (indicated by "Pending or Published"). As the chart indicates, some of these patents are in the U.S., where when issued the patent protection generally applies for 20 years from the date the patent application was made (subject to potential extension, if applied for and granted). In general, patent protection provides the patent holder with a monopoly on the invention within its scope for the duration of the patent.

Country	Status	Patent No	Application Date	Grant Date	Title
United States	Issued	D825,381	7/13/2017	8/14/2018	UNMANNED AERIAL VEHICLE (Design)
Canada	Issued	179088	1/10/2018	5/30/2019	UNMANNED AERIAL VEHICLE (Design)
China	Issued	CN304757327S	1/9/2018	8/3/2018	UNMANNED AERIAL VEHICLE (Design)
EU	Issued	004665040	1/12/2018	1/12/2018	UNMANNED AERIAL VEHICLE (Design)
GB	Issued	90046650400001	1/12/2018	1/12/2018	UNMANNED AERIAL VEHICLE (Design)
Korea	Issued	30-963991	1/11/2018	7/3/2018	UNMANNED AERIAL VEHICLE (Design)
United States	Issued	10,179,647	8/23/2017	1/15/2019	UNMANNED AERIAL VEHICLE (Utility)
China	Issued	109421925	8/8/2018	3/12/2024	UNMANNED AERIAL VEHICLE (Utility)
France	Issued	3446974	6/25/2018	11/6/2024	UNMANNED AERIAL VEHICLE (Utility)
Germany	Issued	602018076194.2	6/25/2018	11/6/2024	UNMANNED AERIAL VEHICLE (Utility)
Switzerland	Issued	3446974	6/25/2018	11/6/2024	UNMANNED AERIAL VEHICLE (Utility)
United Kingdom	Issued	3446974	6/25/2018	11/6/2024	UNMANNED AERIAL VEHICLE (Utility)
United States	Issued	D848,383	7/13/2017	5/14/2019	PRINTED CIRCUIT BOARD (Design)



US	Registered	<b>Shark Head Logo</b>	5,921,613	11/26/2019	87/792,917	2/10/18	9, 25	11/26/2025
UK	Registered	<b>Shark Head Logo</b>	UK00917938426	12/26/2018	UK00917938426	7/31/18	9, 12, 25	Renewal due 7/31/2028
EU	Registered	<b>Shark Head Logo</b>	17938426	12/26/2018	17938426	7/31/18	9, 12, 25	Renewal due 7/31/2028
China	Registered	<b>Shark Head Logo</b>	32458836	4/7/2019	3248836	7/25/18	9	Renewal due 4/6/2029
China	Registered	<b>Shark Head Logo</b>	32458835	4/7/2019	32458835	7/25/18	12	Renewal due 4/6/2029
China	Registered	<b>Shark Head Logo</b>	32458837	4/7/2019	32458837	7/25/18	25	Renewal due 4/6/2029
US	Registered	<b>SHARK BYTE</b>	6,631,683	2/1/2022	90/337,500	11/23/20	9	AOU due 2/1/2028
UK	Registered	<b>SHARK BYTE</b>	UK00003597165	9/3/2021	UK00003597165	2/18/21	9	Renewal due 2/18/2031
EU	Registered	SHARK BYTE	018402699	11/5/2021	018402699	2/19/21	9	Renewal due 2/19/2031
China	Registered	SHARK BYTE	53741813	10/14/2022	53741813	2/20/21	9	Renewal due 10/27/2031
United States	Pending	Unusual Machines Logo	N/A	N/A	99/550,396	12/16/2025	N/A	N/A
United States	Pending	Unusual Machines Logo	N/A	N/A	99/550,399	12/16/2025	N/A	N/A
United States	Pending	Unusual Machines Logo	N/A	N/A	99/550,405	12/16/2025	N/A	N/A

## Research and Development

Research and development activities are part of Unusual Machine's business, and the Company will follow a disciplined approach to investing capital and resources to create new drone technologies and solutions. Research and development costs were approximately \$202,585 and \$90,584, for the years ended December 31, 2025 and 2024, respectively and primarily related to developing NDAA compliant products including our Brave F7 flight controller, Brave 55A ESC and the Fat Shark Aura FPV Camera. A fundamental part of this approach is a well-defined screening process that helps us identify commercial opportunities that support desired technological capabilities in the markets we serve.

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## Item 1A. Risk Factors

*This Annual Report on Form 10-K contains forward-looking information based on our current expectations. Because our business is subject to many risks and our actual results may differ materially from any forward-looking statements made by or on behalf of us, this section includes a discussion of important factors that could affect our business, operating results, financial condition and the trading price of our securities. This discussion should be read in conjunction with the other information in this Annual Report on Form 10-K, including our financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the events or developments described below could have a material adverse effect on our business, results of operations, financial condition, prospects and securities trading prices. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.*

### Risk Factors Summary

Our business and an investment in our Common Stock are subject to numerous risks and uncertainties, including those highlighted in this "[Risk Factors](#)" section below. Some of these risks include:

### Risks Related to Our Sale of Drone-Related Products and Operations in the Drone Industry

- Our failure to effectively manage our rapid growth could harm our business and result in material adverse effects on our future operating results.
- We have substantial inventory and the lack of sufficient purchase orders may have a material adverse effect on our gross margins and results of operations.
- We rely on significant customers, thus any failure to generate revenue from such customers may have a material adverse effect on our financial results.
- The efficiency of our revenue growth is highly dependent on our ability to attract new customers and grow our existing customer relationships in a cost-effective manner.
- We rely on a limited number of suppliers and do not have long-term binding contracts, thus a shortage or unavailability of components or materials used in our manufacturing process may cause significant delays in product delivery which could have a material adverse effect on our business and financial condition.
- Our entry into a new manufacturing business may require additional working capital and issues with the manufacturing process may lead to an adverse impact on our business.
- Product quality issues and a higher-than-expected number of warranty claims or returns could harm our business and operating results.
- The loss of key personnel and the inability to attract qualified personnel may have a material adverse effect on our future success.
- Future growth and ability to generate and grow revenue and achieve or maintain profitability may be adversely affected if our marketing initiatives are not effective in generating sufficient levels of brand awareness.
- Damage to our facilities as a result of unforeseen events or unauthorized access and disruptions to our information technology systems could result in significant costs, reputational damage and an inability to efficiently and effectively conduct our business.
- If we fail to comply with United States and foreign laws related to privacy, data security, and data protection, it could adversely affect our operating results and financial condition.
- If we are involved in litigation, it could harm our business or otherwise distract management.
- We face competition from larger companies that have substantially greater resources which challenges our ability to establish market share, grow the business, and reach profitability.
- We operate in an emerging and rapidly evolving industry which makes it difficult to evaluate our business and future prospects.
- The imposition of rising tariffs or other factors that result in significant inflation may have a material adverse effect on our business and financial results.

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### Risks Related to Government Regulation of Our Operations and Industry

- Failure to obtain necessary regulatory approvals from the FAA or other governmental agencies by us, our customers, or others who use our products, or limitations put on the use of UAS, in response to public privacy or safety concerns, may prevent us from expanding the sales of our drone solutions in the United States.
- We are or may become subject to governmental export and import controls, economic sanctions and other laws and regulations that could subject us to liability and impair our ability to compete in international markets.
- Legal and regulatory uncertainty surrounding the U.S. trade policy may cause significant disruption in our supply chain and have a material adverse effect on our business and operations.

#### **Risks Related to Intellectual Property Protection**

- If third-party intellectual property infringement claims are asserted against us, it may prevent or delay our product development and commercialization efforts and have a material adverse effect on our business and future prospects.
- We may depend on intellectual property rights including patent rights that have not yet been and may not be obtained by us, and our intellectual property rights and proprietary rights may not adequately protect our products.
- If we lose our rights under our third-party technology licenses, our operations could be adversely affected.

#### **Risks Related to our Financial Condition**

- Because the Company has a very limited operating history, any investment in us is highly speculative.
- We have incurred net losses since inception and may fail to achieve or maintain profitability.
- Various factors may lead to significant fluctuation in our future operating results and key metrics from period-to-period, which makes our future results difficult to predict.

#### **Risks Related to our Common Stock**

- The market price of our common stock is subject to significant fluctuation and volatility which may result in substantial losses for our investors.
- Because our common stock is listed on the NYSE American, we are subject to additional regulations and continued listing requirements.
- Our failure to maintain effective disclosure controls and internal controls over financial reporting could have an adverse impact on us.
- If securities or industry analysts adversely change their recommendations regarding our common stock, the market price for our common stock and trading volume could decline.
- We and our investors face the implications of our status as an emerging growth company under the federal securities laws and regulations.
- Our Board of Directors may authorize and issue shares of new classes of stock that could be superior to or adversely affect current holders of our Common Stock.
- Our Articles of Incorporation contain certain provisions which may result in difficulty in bringing actions against or on behalf of the Company or its affiliates.

## **RISK FACTORS**

Investing in our Common Stock involves a high degree of risk. Investors should carefully consider the following Risk Factors before deciding whether to invest in the Company. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition. If any of the events discussed in the Risk Factors below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of our securities could decline.

#### **Risks Related to Our Sale of Drone-Related Products and Operations in the Drone Industry**

##### **Our failure to effectively manage our rapid growth could harm our business and result in material adverse effects on our future operating results.**

Businesses which grow rapidly may have difficulty managing their growth. With our recent enterprise orders and commencement of manufacturing, we are experiencing explosive growth. In addition to our legacy facility which we are presently using to assemble drones for a customer, we have opened two manufacturing facilities and a fulfillment facility. We also plan to open a battery pack assembly and drone camera facility late in 2026. With this growth, we have increased our headcount from 18 employees as of March 31, 2025, to 81 employees as of December 31, 2025, and have approximately 141 employees as of March 6, 2026. This growth will place a strain on our executive management team. We may be unable to effectively manage the growth, oversee our manufacturing facilities and maintain quality control, integrate our new hires into our company culture and effectively deal with any human resource issues that may arise. In addition, with our rapid growth, we need to retain an OSHA consultant to identify, evaluate and control potential workplace hazards to prevent injuries, illnesses and fatalities. We intend to retain a consultant to conduct such an assessment but there can be no assurance that any workplace hazards, injuries, illnesses and fatalities may occur. As a result of these factors, we may face a material adverse effect on our business and future result of operations.

##### **Because we have ordered substantial inventory in some cases prior to receipt of purchase orders, if our assumptions about future purchase orders are incorrect, it is possible that we may have to write off some of the inventory in the future.**

Based upon communications with customers and potential customers, we order inventory to not only fulfill actual purchase orders from customers but also to be able to fulfill future customer orders assuming we receive them. If we do not receive the anticipated orders for this inventory and if we are unable to otherwise sell it, we may be required to increase our reserves or write off inventory in the future because it is obsolete. Any such write off could be material.

Increased inventory levels can also increase the potential risk for excess and obsolescence should our forecasts fail to materialize or if there are negative factors impacting our customers' end markets. Such a risk becomes especially prevalent during a recession and market downturn. If we purchase too much inventory, we may have to record additional inventory reserves or write-off the inventory, which could have a material adverse effect on our gross margins and on our results of operations.

##### **Because of our dependence on significant customers, our failure to generate revenue from those customers may impair our ability achieve projected financial results.**

Beginning on September 30, 2025, we obtained a number of new purchase orders from a limited number of customers. On September 30, 2025, we announced a \$12.8 million purchase order for components supplying Strategic Logix's ("SL") Rapid Reconfigurable Systems Line. There is no formal contract backstopping this purchase order. This purchase order represents the largest order that we have received.

We have, in the past, and expect for the foreseeable future, to be dependent on a small number of customers, to generate a significant portion of our revenue, and these customers may change periodically. As a result, our financial results may be adversely affected if purchase orders from new or existing customers do not meet our assumptions or if there is a

default in a significant payment by any of our customers. Furthermore, to the extent that any one customer accounts for a large percentage of our revenue, the loss of that customer, or changes in their buying patterns or decisions, could materially affect our financial results. If our customers experience financial difficulties or business reversals, or lose orders or anticipated orders, which may reduce or eliminate the need for the products which they ordered from us, they may be unable or unwilling to fulfill their contracts with us.

There is also a risk that our customers will attempt to impose new or additional requirements on us that reduce the profitability of the orders placed by those customers with us. Further, even if the orders are not changed, these orders may not generate margins equal to our recent historical or targeted results. If we do not book more orders with existing customers, or develop relationships with new customers, we may not be able to increase, or even maintain, our revenue, and our financial condition, results of operations, business and/or prospects may be materially adversely affected.

**If we are unable to attract new customers or maintain and grow our existing customer relationships in a manner that is cost-effective, our revenue growth could be slower than we expect and our business may be harmed.**

In order to grow and increase revenues, we are subject to the following:

- In our enterprise channel, we must significantly grow our existing customer base;
- While we have not sold any drone components for use in the Middle East, the consequences of the ongoing conflicts are uncertain;
- While Russia's war with Ukraine remains ongoing, if that conflict is resolved, it may reduce the need for our drone components;
- Both the United States and the global economies can impact our enterprise drone components business since an economic downturn or a period of high inflation can reduce orders;
- Similarly, with our retail business, a recession or a period of high inflation would be expected to adversely affect sales in our retail channel.

**If critical components or raw materials used to manufacture our products or used in its development programs become scarce or unavailable, then we may incur delays in manufacturing and delivery of our products, which could damage our business.**

Our ability to meet customers' demands depends, in part, on its ability to obtain timely and adequate delivery of high-quality materials, components and subsystems, many of which are obtained from a select group of specialized suppliers, including some sole-source providers. In order to mitigate potential disruptions, we maintain long-term, non-binding agreements with several key suppliers that help stabilize pricing, reduce lead times and enhance planning accuracy. We do not have long-term agreements with all suppliers that obligate them to continue to sell components, products required to build our systems or products. Our reliance on suppliers without long-term binding contracts involves significant risks and uncertainties, including whether our suppliers will provide an adequate supply of required components or products of sufficient quality, will increase prices for the components or products and will perform their obligations on a timely basis.

If any of our supplier's face capacity constraints, financial instability, or an unwillingness to provide raw materials or components to us, it may need to seek alternative suppliers or revise its designs, particularly because some of the components are sourced from foreign countries. Locating alternative sources may take significant time, and even then, we may encounter significant delays in manufacturing and shipping and encounter increased costs. Additionally, credit constraints among key suppliers could impact our cash flow. We have also experienced rising costs for components, shipping, tariffs, warehousing, and inventory. Our domestic suppliers have experienced increased demand for their products due to tariffs, which could impact the availability or price of our components. The permanence of these cost increases remains uncertain, and obtaining replacement components within our required time frames may prove challenging. Shortages could lead to excess inventory and potential obsolescence risks.

In addition, certain raw materials and components used in the manufacture of our products and in our development programs, are periodically subject to supply shortages, and our business is subject to the risks of price increases and periodic delays in delivery.

Our ability to stay competitive within our markets may be dependent upon increasing manufacturing capacity to support anticipated growth and achieving cost reductions and projected economies of scale from increasing manufacturing quantities of its products. Failing to adequately increase production capacity and achieve such reductions in manufacturing costs and projected economies of scale could materially and adversely affect our business.

Our future growth depends on increasing manufacturing capacity of its products, and any failure to adequately increase such capacity could have a material adverse impact on our business and operating results. We do not know whether or when we will be able to develop efficient, low-cost manufacturing capabilities and processes that will enable it to manufacture its products in commercial quantities while meeting the volume, speed, quality, price, engineering, design and production standards required to successfully market such products. Our failure to develop such manufacturing processes and capabilities that can efficiently service its clients and markets could have a material adverse effect on its business, financial condition, results of operations and prospects. Our ability to remain competitive is, in part, dependent upon achieving increased savings from volume purchases of raw materials and component parts, achieving acceptable manufacturing yield and capitalizing on machinery efficiencies.

**We are subject to a number of supply risks concerning our Blue List products which could adversely impact our ability to deliver such products to the United States Government and commercial customers.**

We purchase certain Blue UAS products from a privately-held United States based manufacturer pursuant to purchase orders. We are subject to a number of risks including:

- we do not have a supply agreement requiring the manufacturer to produce a specified volume per year;
- the manufacturer expects to deliver product quantities to us over a pre-determined period which increases the likelihood we may be unable to meet a large order from one or more customers;

- beyond the initial purchase orders, we have no assurances on future pricing which means future costs could adversely affect our marketing and future gross margins;
- because we have no non-compete from the manufacturer, it could manufacture the same products for our competitors;

- we have no representations from the manufacturer on its intellectual property ownership of our products; and
- because we are not the manufacturer, we are subject to a number of risks including timely deliveries and quality control.

**Because we rely on a limited number of suppliers, for our component parts our business may be adversely affected.**

The drone industry relies on limited sources to supply certain components and materials used in the manufacturing of drone components. We are seeking to purchase certain components or sub-components from suppliers based in the United States, which may lead us to pay higher prices, or select parts from a more limited number of suppliers relative to our competitors, which would adversely impact our gross margins and operating results. In addition, the outcome of the United States tariff policies could significantly increase the cost of our component parts. We will also be forced to increase prices to our customers which could result in decreased sales, especially if there is an economic recession. Our operating results could be materially and adversely impacted if our suppliers do not provide the critical components used to assemble our products on a timely basis, at a reasonable price, and in sufficient quantities.

Some of the key components used to manufacture our products come from a limited supply, or by a supplier that could potentially become a competitor. Our contract manufacturers generally purchase these components on our behalf from approved suppliers. We are subject to the risk of shortages and long lead times in the supply of these components and the risk that our suppliers discontinue or modify components used in our products. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. We order inventory on a purchase order basis, and these firms do not have a contractual obligation to provide adequate supply or acceptable pricing to us on a long-term basis. These suppliers could discontinue sourcing merchandise for us at any time.

If we lose access to components from a particular supplier or experience a significant disruption in the supply of products and components from a current supplier, we may be unable to locate alternative suppliers of comparable quality at an acceptable price, or at all, and our business could be materially and adversely affected. If any of these suppliers were to discontinue its relationship with us, or discontinue providing specific products to us, and we are unable to contract with a new supplier that can meet our requirements, or if they or such other supplier were to suffer a disruption in their production, we could experience disruption of our inventory flow, a decrease in sales and the possible need to re-design our products. Any such event could disrupt our operations and have an adverse effect on our business, financial condition and results of operations. In addition, if we experience a significant increase in demand for our products, our suppliers might not have the capacity or elect not to meet our needs as they allocate components to other customers. Developing suitable alternate sources of supply for these components may be time-consuming, difficult and costly, and we may not be able to source these components on terms that are acceptable to us, or at all, which may adversely affect our ability to fill our orders in a timely or cost-effective manner. Identifying a suitable supplier is an involved process that requires us to become satisfied with the supplier's quality control, responsiveness and service, financial stability, labor and other ethical practices, and if we seek to source materials from new suppliers, there can be no assurance that we could do so in a manner that does not disrupt the manufacture and sale of our products.

Our reliance on a small number of suppliers involves a number of additional risks, including risks related to supplier capacity constraints, price increases, timely delivery, component quality, failure of a key supplier to remain in business and adjust to market conditions, delays in, or the inability to execute on, a supplier roadmap for components and technologies; and natural disasters, fire, acts of terrorism or other catastrophic events, including global pandemics.

**The development and manufacturing of headsets encompasses several complex processes and several steps of our production processes are dependent upon third party vendors, supply chains, the availability of PCBs, optics, and certain chips. Any change in availability of these components, manufacturing or design partners could result in delivery interruptions, which could adversely affect our operating results.**

As we continue to develop our products, we must progress through the complex and challenging processes involved in the technology and designs on which Fat Shark and Rotor Riot products are based. Fat Shark and Rotor Riot rely on third party suppliers for the resources needed to navigate these processes and expect to continue to rely on such parties when we manufacture and market our component parts. Our reliance on third-party manufacturers and service providers will entail risks to which we may not be subject if our future operations were more vertically integrated, including:

- the ongoing supply chain shortages, and any future supply chain and logistics challenges that we or our vendors may face in the future, including due to the reliance on lithium-ion batteries and other materials for our products;
- the inability to meet any product specifications and quality requirements consistently;
- the impact of tariffs, the availability of United States supply sources and the impact of higher prices;
- discontinuation or recall of products or component parts;
- manufacturing and product quality issues related to scale-up of manufacturing;
- costs and validation of new equipment and facilities required for scale-up;
- a failure to comply with applicable regulatory and safety standards in the United States and foreign markets in which we or our collaborators operate;
- the inability to negotiate manufacturing and service agreements with third parties under commercially reasonable terms;
- the possibility of breach or termination or nonrenewal of agreements with third parties in a manner that is costly or damaging to our subsidiaries;
- Our subsidiaries do not always execute definitive written agreements with their vendors, particularly those located in China, which exposes them to possible disputes concerning the existence or terms of their agreements and their intellectual property rights;
- the reliance on a few sources, and sometimes, single sources for raw materials and components, such that if they cannot secure a sufficient supply of these product components, they cannot manufacture and sell products in a timely fashion, in sufficient quantities or under acceptable terms;
- operations of these third-party manufacturers, suppliers or service providers could be disrupted by conditions unrelated to our subsidiaries' business or operations, including the bankruptcy of the party;
- carrier disruptions or increased costs beyond our subsidiaries' control;
- possible misappropriation of our subsidiaries' proprietary technology; and
- failing to deliver products under specified storage conditions and in a timely manner.

Any of these factors could result in a material and adverse affect upon our results of operations.

**Because our new manufacturing business has inherent risks, such risks may adversely impact us.**

We have recently opened drone motor and drone headset manufacturing facilities. We are using our initial facility to assemble drones for a customer, and plan to open a battery pack assembly and drone camera manufacturing facility in late 2026. There are inherent risks in connection with launching our component manufacturing business, which include:

- the need to expend working capital to purchase manufacturing equipment, rent facilities and to hire personnel with the requisite skills to fabricate drone motors, headsets, batteries and cameras which could initially have an adverse effect on our working capital;
- the manufacturing equipment and software that we acquire may have bugs or may not be in sound working order and the products we manufacture may not be manufactured in accordance with our or our customers specifications, which result in conflicts with customers, the loss of revenues or damage to our reputation; and
- we may encounter cost overruns for a variety of reasons which due to fixed priced customer orders leads to operating losses.

Our products, including motors, batteries, and other advanced components, rely on rare earth metals for their manufacturing, of which a significant majority are sourced from China. Any disruption in the supply of these metals could adversely affect our ability to produce and deliver our products. Factors that might lead to such disruptions include geopolitical tensions, trade restrictions, supply chain bottlenecks, and environmental regulations affecting mining operations. A limited supply or increased cost of rare earth metals could lead to higher production costs, delays in manufacturing schedules, and potential inability to meet customer demand, thereby impacting our revenue and growth plans. Managing these risks necessitates close monitoring of supply chains, diversification of suppliers, and the pursuit of alternative materials or technologies where possible.

Escalating restrictions between the U.S. and China contribute to supply chain complexities. Some of our components sourced from foreign countries, including China, are at risk of further sanctions and other trade restrictive actions, and any escalation in global trade tensions or trade restrictions may hinder our ability to obtain these components from new suppliers. Restrictions on semiconductor manufacturing equipment and raw materials could lead to higher material costs, material unavailability, and transportation uncertainty.

**Product quality issues and a higher-than-expected number of warranty claims or returns could harm our business and operating results.**

The products that we sell including the new drone motors, headsets and cameras we manufacture could contain defects in design or manufacture. There can be no assurance we will be able to detect and remedy all defects in the products we sell, which could result in product recalls, product redesign efforts, loss of revenue, reputational damage and significant warranty and other remediation expenses. Similar to other mobile and consumer electronics, our products have a risk of overheating in the course of usage or upon malfunction. Any such defect could result in harm to property or in personal injury. If we determine that a product does not meet product quality standards or may contain a defect, the launch of such product could be delayed until we remedy the quality issue or defect. The costs associated with any protracted delay necessary to remedy a quality issue or defect in a new product could be substantial.

Fat Shark generally provides a one-year warranty on all of its products, except in certain European countries where it can be two years for some consumer-focused products.

Rotor Lab does not provide any warranty, but does provide for a seven day defect period.

Unusual Machines, the parent company which manufactures motors, has a limited warranty in which it warrants to customers that their products will be free from defects in material and workmanship under normal use and service for up to 90 days. The limited warranty covers manufacturing defects and premature failures and extends only to the original customer and is non-transferrable.

The occurrence of any material defects in our products could expose us to liability for damages and warranty claims in excess of our current reserves, and we could incur significant costs to correct any defects, warranty claims or other problems. In addition, if any of our product designs are defective or are alleged to be defective, we may be required to participate in a recall campaign. In part due to the terms of our warranty policies, any failure rate of our products that exceeds our expectations may result in unanticipated losses. Any negative publicity related to the perceived quality of our products could affect our brand images and decrease retailer, distributor and consumer confidence and demand, which could adversely affect our operating results and financial condition. Further, accidental damage coverage and extended warranties are regulated in the United States at the state level and are treated differently within each state. Additionally, outside of the United States, regulations for extended warranties and accidental damage vary from country-to-country. Changes in interpretation of the regulations concerning extended warranties and accidental damage coverage on a federal, state, local or international level may cause us to incur costs or have additional regulatory requirements to meet in the future in order to continue to offer its support services. Our failure to comply with past, present and future similar laws could result in reduced sales of its products, reputational damage, penalties and other sanctions, which could harm our business.

Estimated future product warranty claims may be based on a variety of factors including the expected number of field failures over the warranty commitment period, the term of the product warranty period, and the costs for repair, replacement and other associated costs. Because of the foregoing or other contingencies, these estimates could prove to be incorrect, such that the warranty obligations are higher than anticipated. Warranty obligations may be affected by product failure rates, claims levels, material usage and product re-integration and handling costs. Should actual product failure rates, claims levels, material usage, product re-integration and handling costs, defects, errors, bugs or other issues differ from original estimates, Fat Shark could end up incurring materially higher warranty or recall expenses than anticipated, which would materially adversely affect our business.

**If we lose key personnel, it may adversely affect our business.**

Our future success depends in large part on the continued contributions of our executive officers, members of senior management and other key personnel, particularly Dr. Allan Evans, our Chief Executive Officer and Mr. Andrew Camden, our President. In particular, we believe that Dr. Evans' leadership, knowledge and experience in the drone industry has been critical to our growth, our significant working capital and any future successes and progress we may experience. The loss of the services of Dr. Evans or Mr. Camden could therefore materially and adversely affect our business and prospects. Our executive officers, senior management and key personnel can terminate their services with us at any time, for any reason and without notice. The loss of any of our key management personnel could significantly delay or prevent the achievement of our development and strategic objectives and adversely affect our business.

**If we are unable to attract, integrate and retain additional qualified personnel, including top technical talent, our business could be adversely affected.**

Our future success depends in part on our ability to identify, attract, integrate and retain highly skilled technical, managerial, sales and other personnel, particularly as we attempt to expand our operations and further develop and market our products. We face intense competition for a limited number of qualified middle management individuals with the

requisite skills and experience from numerous other companies, including other software and technology companies, many of whom have greater financial and other resources than we do. These companies also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than those we have to offer. Potential new employees may be unwilling or unable to relocate to the Orlando, Florida area. In addition, new hires often require significant training and, in many cases, take significant time before they achieve full productivity. We may incur significant costs to attract and retain qualified personnel, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and we may lose new employees to competitors or other companies before we realize the benefit of our investment in recruiting and training employees. Moreover, new employees may not be or become as productive as we expect, as we may face challenges in adequately or appropriately integrating them into our workforce and culture. If we are unable to attract, integrate and retain suitably qualified individuals who are capable of meeting our growing technical, operational and managerial requirements, on a timely basis or at all, our business will be adversely affected.

**Future growth and ability to generate and grow revenue and achieve or maintain profitability may be adversely affected if our marketing initiatives are not effective in generating sufficient levels of brand awareness.**

Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our marketing efforts, including our ability to:

- create awareness of brands and products;
- convert awareness into actual product purchases;
- effectively manage marketing costs (including creative and media) in order to maintain acceptable operating margins and return on marketing investment; and
- successfully offer to sell products or license technology to third-party companies for sale.

Planned marketing expenditures are unknown and may not result in increased total sales or generate sufficient levels of product and brand name awareness. We may not be able to manage marketing expenditures on a cost-effective basis.

**If our facilities and information technology systems or those of our key suppliers are damaged as a result of disasters or unpredictable events, it could have an adverse effect on our business operations.**

Our new manufacturing facilities are located in Orlando, Florida. We also rely on third-party manufacturing plants in the U.S., Asia and other parts of the world to provide key components for our products. If major disasters such as hurricanes, tornadoes, pandemics, earthquakes, fires, floods, wars, terrorist attacks, computer viruses, transportation disasters or other events occur in any of these locations, or our information technology systems or communications network or those of any of its key component suppliers breaks down or operates improperly as a result of such events, its facilities or those of its key suppliers may be seriously damaged, and we may have to stop or delay production and shipment of its products. We may also incur expenses relating to such damages. If production or shipment of our products or components is stopped or delayed or if we incur any increased expenses as a result of damage to its facilities, its business, operating results and financial condition could be materially and adversely affected.

**Any failures of or damage to, attack on or unauthorized access to our information technology systems or facilities or disruptions to our continuous operations, including the systems, facilities or operations of third parties with which we do business, such as resulting from cybersecurity attacks, could result in significant costs, reputational damage and limits on our ability to conduct our business activities.**

Our operations depend on information technology infrastructure and computer systems, both internal and external, to, among other things, record and process customer and supplier data, marketing activities and other data and functions and to maintain that data and information securely. In recent years, a number of companies have suffered successful cybersecurity attacks launched both domestically and from abroad, resulting in the disruption of services to customers, loss or misappropriation of sensitive or private data and reputational harm. If we are subject to a cybersecurity attack, we could suffer a similar breach or suspension in the future. Further, we may be unaware of a prior attack and the damage caused thereby until a future time when remedial actions cannot be taken. Cybersecurity threats are often sophisticated and are continually evolving. We may not implement effective systems and other measures to effectively identify, detect, prevent, mitigate, recover from or remediate the full diversity of cybersecurity threats or improve and adapt such systems and measures as such threats evolve and advance in their ability to avoid detection.

A cybersecurity incident, or a failure to protect our technology infrastructure, systems and information and our customers, suppliers and others' information against cybersecurity threats, could result in the theft, loss, unauthorized access to, disclosure, misuse or alteration of information, system failures or outages or loss of access to information. The expectations of our customers with respect to the resiliency of its systems and the adequacy of its control environment with respect to such systems may increase as the risk of cybersecurity attacks, and the consequences of those attacks become more pronounced. We may not be successful in meeting those expectations or in its efforts to identify, detect, prevent, mitigate and respond to such cybersecurity incidents or for its systems to recover in a manner that does not disrupt its ability to provide products and services to its customers or product personal, private or sensitive information about its business, customers or other third parties.

The failure to maintain an adequate technology infrastructure and applications with effective cybersecurity controls could impact operations, adversely affect our financial results, result in loss of business, damage our reputation or impact our ability to comply with regulatory obligations, leading to regulatory fines and sanctions. We may be required to expend significant additional resources to modify, investigate or remediate vulnerabilities or other exposures arising from cybersecurity threats. Failing to prevent or properly respond to a cybersecurity attack could expose to civil liability, cause us to lose customers or suppliers, impair its ability to maintain continuous operations, and inhibit our ability to meet regulatory requirements.

**If we fail to comply with United States and foreign laws related to privacy, data security, and data protection, it could adversely affect our operating results and financial condition.**

We, either directly or through our customers, collaborators or end-users of our products, are or may become subject to a variety of laws and regulations regarding privacy, data protection, and data security. This includes the European Union's ("EU") General Data Protection Regulation (the "EU GDPR") and the United Kingdom's General Data Protection Regulations (the "UK GDPR") (collectively, the "GDPR") and Canada's Personal Information Protection and Electronic Documents Act ("PIPEDA"). Other countries where we may seek to do business also may have data privacy laws we will be required to comply with. These laws and regulations are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly with respect to foreign laws. The application of these laws and regulations can arise from our e-commerce platform, social media activities, drone technology and applications, relationships with third parties and their operations, or from other activities we undertake now or that we may undertake in the future. Data privacy and protection regulations are frequently broad in terms of scope of the information protected, activities affected, and geographic reach.

In the United States federal, state, and local governments have enacted numerous data privacy and security laws, including data breach notification laws, personal data and privacy laws, consumer protection laws and other similar laws. Certain U.S. states have enacted comprehensive consumer privacy laws that impose significant and costly obligations on covered business, including providing specific disclosures in privacy notices and affording residents with certain rights concerning their personal data. As applicable, such rights may include the right to access, correct or delete certain personal data, and to opt-out of certain data processing activities, such as targeted advertising, profiling and automated decision-making. The exercise of these rights may impact our business and ability to effectively provide our products and services..

Moreover, specific states also impose more stringent requirements for processing certain personal data, including sensitive information, such as conducting data privacy impact assessments. These state laws allow for statutory fines for noncompliance. For example, the California Consumer Privacy Act of 2018 applies to personal data of consumers, business representatives and employees who are California residents, and requires businesses subject to the law to provide specific disclosures in privacy notices and respond to requests of such individuals to exercise certain privacy rights. In September 2025, (and effective January 1, 2026) California amended the CCPA to (i) regulate technologies that replace or substantially replace human decisions, (ii) require comprehensive risk assessment reports that address specific processing activities that present a significant risk to a consumer's privacy, and (iii) clarify when a cyber security audit must be conducted. These updated regulations expand the scope and compliance obligations of the CCPA. The CCPA provides for fines of up to \$2,500 per unintentional violation and up to \$7,500 per intentional violation (as adjusted from time to time) and allows individuals affected by certain data breaches to recover statutory damages up to \$750 per consumer per incident. The costs of compliance with, and other burdens imposed by, the CCPA, GDPR, and similar laws may limit the use and adoption of our products and services and/or require us to incur substantial compliance costs, which could have an adverse impact on our business.

As noted, in addition to the CCPA, the United States currently has a number of states that have data privacy laws in place, or data privacy laws set to soon take effect ranging from narrow to comprehensive in nature. During the 2025 legislative cycle, comprehensive privacy reform was not prevalent in state legislatures, but several states with existing privacy statutes expanded the scope of their privacy frameworks, including Colorado, Connecticut, Virginia, Utah, Texas, Oregon, Montana, and Kentucky. This patchwork approach to privacy legislation could pose compliance and liability risks for companies that have multistate operations. Proposed and enacted bills in various states have similar rights in preexisting privacy legislation but differ in implementation and enforcement.

Outside of the United States, an increasing number of laws, regulations and industry standards govern data privacy and security. For example, the EU GDPR, the UK GDPR, and PIPEDA (as well as various related provincial laws) impose strict requirements for processing personal data. Specifically, in Europe and the United Kingdom, companies may face temporary or definitive bans on data processing and other corrective actions including fines of up to €20 million under the EU GDPR, £17.5 million under the UK GDPR or, in each case, 4% of annual global revenue, whichever is greater or private litigation related to processing of personal data brought by classes of data subjects or consumer protection organizations authorized at law to represent their interests. In Europe, the Network and Information Security Directive ("NIS2") regulates resilience and incident response capabilities of entities operating in a number of sectors. Non-compliance with NIS2 may lead to administrative fines of up to €10 million or up to 2% of the total worldwide revenue of the preceding fiscal year.

We seek to comply with all applicable laws, policies, legal obligations, and industry codes of conduct relating to privacy, data security, and data protection. Our cash resources may adversely affect our compliance effort. Given that the scope, interpretation, and application of these laws and regulations are often uncertain and may be in conflict across jurisdictions, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us, customers, or third-party vendors or end-users involved with our products to comply with our privacy or security policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personal data, may result in governmental enforcement actions, litigation, or negative publicity, and could have an adverse effect on our operating results and financial condition.

Governments are continuing to focus on privacy and data security, and it is possible that new privacy or data security laws will be passed or existing laws will be amended in a way that is material to our business. Any significant change to applicable laws, regulations, or industry practices regarding the personal data of our employees, agents or customers could require us to modify our practices and may limit our ability to expand or sustain our salesforce or bring our products to market. Changes to applicable laws and regulations in this area could subject us to additional regulation and oversight, any of which could significantly increase our operating costs and materially affect our operating results and financial condition.

**If we are involved in litigation, it could harm our business or otherwise distract management.**

If we become a party to a substantial, complex or extended litigation, it could cause us to incur large expenditures and could distract management. For example, lawsuits by licensors, consumers, employees or stockholders or litigation with federal, state or local governments or regulatory bodies could be very costly and disrupt business. As described elsewhere in these Risk Factors, our operations and products, as well as those of our customers, collaborators and product end-users, come with the inherent possibility of lawsuits arising from product liability, property damage and personal injury, breach of contract and product warranty claims, intellectual property infringement, regulatory violations and sanctions, and data privacy issues, any of which can result in costly and time-consuming litigation which would divert our limited management team and could cause other adverse impacts on our business such as reputational harm and loss of future business. While disputes from time-to-time are not uncommon, we may not be able to resolve such disputes on terms favorable to us which could have a material adverse impact on our results of operations.

Among other things, claims could be brought against us if use and misuse of our products causes personal injury or death. If a consumer causes damage to a person or property using a Rotor Riot drone, it as a reseller of the drone could be sued for selling an allegedly defective product. The possibility that the foregoing events occur from events involving our B2B and business to consumer ("B2C") channels products is particularly high, because we supply technology used in the operation of drones which is relatively novel. Drones are frequently operated at high speeds and altitudes, and often in densely populated areas and/or by individuals who lack a high level of experience operating them. These characteristics increase the probability that injury or damage to personal property might occur, even absent a defect. Additionally, because our enterprise products are used as ancillary or supplemental components of a drone's functions, it may become involved in disputes arising from a third party's actions or products that utilize its technology, even if we were not the direct cause of the issue. Any claims against us, regardless of their merit, could severely harm our financial condition, strain our management and other resources.

Product liability claims might be brought against us by customers, civilians or private entities or others using or otherwise coming into contact with our products. If we cannot successfully defend against product liability claims, we could incur substantial liability and costs. Regardless of merit or eventual outcome, product liability claims may cause:

- impairment of our business reputation;
- costs due to related litigation especially since we do not have product liability insurance;
- distraction of management's attention from our primary business;

- substantial monetary awards to claimants or civil penalties imposed by governments;
- regulatory scrutiny and product recalls, withdrawals or labeling, marketing or promotional restrictions; and
- decreased demand for our products.

We anticipate the risk of product liability and other claims related to our products and their uses will grow as our business expands. We are unable to predict if we will be able to obtain or maintain insurance for such claims. Insurance coverage is becoming increasingly expensive. We do not have such insurance and we may not be able to obtain it at a reasonable cost or in sufficient amounts to protect us against losses due to liability. A successful product liability claim or series of claims brought against us could cause our stock price to decline and, would adversely affect our results of operations and business.

**We face competition from larger companies that have substantially greater resources which challenges our ability to establish market share, grow the business, and reach profitability.**

The markets in which we operate include a range of established manufacturers, distributors, and emerging companies that develop and supply components used in small unmanned aerial systems. These components include flight controllers, electronic speed controllers, motors, FPV cameras, video transmission systems, and related electronics. Competitors in these markets include companies such as ePropelled, ARK Electronics, ModalAI, Orqa, Lumenier, and other drone and FPV component manufacturers, as well as a large number of smaller private companies that specialize in individual components or subsystems within the drone ecosystem.

Some competitors have significantly greater financial, manufacturing, technical, and marketing resources than we do. These companies may benefit from established global supply chains, broader product portfolios, larger engineering teams, and greater brand recognition. Larger competitors may also be able to leverage economies of scale to offer products at lower prices or devote greater resources to research and development and marketing. At the same time, the industry includes numerous smaller competitors that may operate with lower overhead costs, narrow product specialization, or established relationships within specific drone markets or communities.

Competition in our industry is driven by several factors, including product performance and reliability, pricing, product availability, supply chain stability, speed of product development, customer support, and brand reputation. Rapid technological development in the drone industry results in frequent product introductions and relatively short product life cycles. As a result, companies must continuously invest in product development and manufacturing capabilities to remain competitive.

In addition, regulatory developments and government procurement requirements are influencing the competitive landscape for drone components. Certain government and commercial customers increasingly require components that comply with U.S. regulatory frameworks, including the NDAA and related procurement requirements. Recent regulatory actions by U.S. agencies, including the Federal Communications Commission, as well as government initiatives intended to strengthen domestic drone manufacturing capabilities, may further shape the market for drone components. Our strategy includes developing and manufacturing certain drone components in the United States and pursuing compliance with applicable regulatory frameworks. However, there can be no assurance that these efforts will provide a competitive advantage or that customers will adopt such products at scale.

Our ability to compete effectively will depend on a number of factors, including our ability to develop and introduce new products, maintain product quality and reliability, manage manufacturing and supply chain operations, expand production capacity, maintain effective sales and distribution channels, and provide responsive customer support. Increased competition could result in pricing pressure, reduced margins, or loss of market share, any of which could have a material adverse effect on our business, financial condition, and operating results.

**We operate in an emerging and rapidly evolving industry which makes it difficult to evaluate our business and future prospects.**

The drone industry is relatively new and is growing rapidly. As a result, it is difficult to evaluate our business and future prospects. We cannot accurately predict whether, and even when, demand for our products will increase, if at all. The risks, uncertainties and challenges encountered by companies operating in emerging and rapidly growing industries include:

- generating sufficient revenue to cover operating costs and sustain operations;
- acquiring and maintaining market share;
- attracting and retaining qualified personnel;
- successfully developing and commercially marketing new products;
- complying with challenging supply chain issues which may arise;
- complying with developing regulatory requirements;
- the possibility that favorable estimates or projections prove to be incorrect; and
- responding effectively to changing technology, evolving industry standards, and changing customer needs or requirements.

As such, our current expectations and projects about future events and trends may be different from the actual results. Furthermore, if we are unable to address any of the above challenges successfully, our business, financial condition, results of operations, and prospects may be adversely affected by such failure.

**If we fail to respond to commercial industry cycles in terms of its cost structure, manufacturing capacity, and/or personnel needs, our business could be seriously harmed.**

The timing, length, and severity of the up-and-down cycles in the commercial and defense industries are difficult to predict. This cyclical nature of the industries in which we operate affects our ability to accurately predict future revenue, and in some cases, future expense levels. During down cycles in its industry, the financial results of our customers may be negatively impacted, which could result not only in a decrease in orders but also a weakening of their financial condition that could impair our ability to recognize revenue or to collect on outstanding receivables. When cyclical fluctuations result in lower than expected revenue levels, operating results may be adversely affected and cost reduction measures may be necessary in order for us to remain competitive and financially sound. We must be in a position to adjust its cost and expense structure to reflect prevailing market conditions and to continue to motivate and retain its key employees. If we fail to respond to fluctuating market conditions its business could be seriously harmed. In addition, during periods of rapid growth, we must be able to increase engineering and manufacturing capacity and personnel to meet customer demand. We can provide no assurance that these objectives can be met in a timely manner in response to industry cycles. Each of these factors could adversely impact our operating results and financial condition.

**If the tariffs or other factors result in increased inflation and a recession, our business may be materially harmed.**

A direct impact from rising tariffs on our business has been increases in the prices of inventory we acquire and an increase in our selling prices (with one exception relating to our Unusual Machines branded B2C products). Further, due to the tariffs, possibly large cuts in the size of the government and possibly artificial intelligence ("AI"), there may be increased unemployment and other economic factors which could result in a recession. In such event, our B2C business may be materially and adversely affected. Further, our enterprise business including our manufacturing of drone components in the United States may also be adversely affected by a recessionary economy and inflation caused not only by tariffs but also by United States interest rate cuts.

**The uncertainty and change in U.S. Trade and Tariff Policy could adversely affect our business.**

Recent judicial rulings have introduced significant uncertainty regarding the legal basis for U.S. tariff policy. On February 20, 2026, the U.S. Supreme Court held that the International Emergency Economic Powers Act ("IEEPA") does not authorize the President to impose broad tariffs, invalidating major tariff measures that had been implemented under that statute. The decision emphasized that tariff-setting authority resides with Congress and that IEEPA does not include an express grant of such authority. As a result, tariffs collected under IEEPA may be subject to refund actions, and lower courts may provide further guidance on refunds and enforcement.

Although the ruling applies to tariffs imposed under IEEPA, the President has publicly signaled intentions to pursue alternative tariff measures (such as a 15% tariff on imported goods) under other statutory frameworks. These alternative legal authorities (e.g., provisions of the Trade Act of 1974, Trade Expansion Act, or other trade statutes) may be subject to legal challenge, statutory limitations, procedural requirements, and potential judicial scrutiny. There is no assurance that such alternative tariffs will withstand litigation, will not be delayed, will be upheld by courts, or will not be amended or repealed by future administrations or Congress.

The implementation, alteration, or invalidation of tariffs and other trade measures could materially and adversely affect the Company's business, including by increasing the cost of imported goods and components, disrupting supply chains, altering competitive conditions in domestic and international markets, triggering retaliatory measures by trading partners, and increasing volatility in foreign currency and commodity markets. These developments could materially impact revenues, operating costs, margins, and overall financial performance.

**Uncertainty in U.S.–China Trade Policy and Tariff Authority Could Disrupt Our Supply Chain and Increase Our Costs.**

Our manufacturing operations depend on the timely procurement of raw materials, subcomponents, and finished parts, some of which are sourced from suppliers located in China. Recent developments in U.S. trade policy have introduced significant legal and regulatory uncertainty. On February 20, 2026, the Supreme Court of the United States held that the IEEPA does not authorize the imposition of broad-based tariffs. Following that decision, the President issued an executive order on February 24, 2026 imposing a 10% tariff on all countries for certain imported goods based on an alternative statutory authority and indicated a potential future increase to 15%.

Although the recent ruling addressed tariffs imposed under IEEPA, the Administration may seek to impose tariffs under other trade statutes, including Section 301 of the Trade Act of 1974 or Section 232 of the Trade Expansion Act of 1962, each of which carries distinct procedural requirements and legal standards. Any such tariffs may be subject to additional legal challenges, modifications, delays, or reversal by courts, Congress, or future administrations.

The imposition, expansion, modification, or invalidation of tariffs on imports from China, or retaliatory measures by China or other trading partners, could materially and adversely affect our business in several ways:

- **Increased input costs.** Tariffs could increase the cost of imported components and raw materials, which may compress margins if we are unable to pass increased costs through to customers in a timely manner, or at all.
- **Supply shortages and delays.** Trade restrictions, customs enforcement actions, port congestion, export controls, or supplier disruptions in China could delay shipments or reduce available supply, potentially interrupting our production schedules.
- **Supplier concentration risk.** Certain specialized components may be available from a limited number of qualified suppliers, some of which are located in China. Rapid transition to alternative suppliers may not be feasible due to tooling, qualification, regulatory, contractual, capacity, or cost constraints.
- **Operational disruption.** Uncertainty regarding tariff rates and enforcement may complicate procurement planning, inventory management, pricing decisions, and long-term supply agreements.
- **Retaliatory actions and geopolitical risk.** Escalation of trade tensions between the United States and China could result in additional duties, export restrictions, licensing requirements, sanctions, or other governmental measures that disrupt cross-border supply chains.

Given the evolving nature of U.S.–China trade policy and ongoing legal and political developments, we cannot predict the scope, timing, or duration of future trade measures. Any of the foregoing developments could materially disrupt our supply chain, increase our operating costs, reduce demand for our products, and materially and adversely affect our business, financial condition, and results of operations.

**If the United States experiences significant inflation, it could adversely affect our business and financial results.**

Following the end of the COVID 19 pandemic, the United States experienced significant inflationary pressures. Though the current rate of inflation in the United States is much lower, if inflationary pressures occur again, including as a result of future United States interest rate declines, such inflation can adversely affect us in a variety of ways. A rise in inflation can adversely affect us by increasing our operating costs, including by increasing the costs of materials, freight and labor. The Company has not identified, planned or taken any actions to mitigate inflationary pressures. Further, in the United States, the Federal Reserve has historically responded by increasing interest rates to combat inflation. However, such increases may result in a reduced demand for our products and/or an economic downturn. In a highly inflationary environment, or any recession or economic downturn that may result, we may be unable to adjust our business in a manner that adequately addresses these challenges, and these developments could materially and adversely affect our business, results of operations and financial condition.

**Risks Related to Government Regulation of Our Operations and Industry**

**If we fail to have other drone products approved for the Department of War's Blue UAS Cleared List which we refer to as the "Blue List", our future results of operations may be materially and adversely affected.**

We have had multiple United States made drone products that have been approved and added to the Department of War's Blue List. By virtue of being on the Blue List, it enables us to receive orders from agencies of the United States federal government. It also provides credibility to potential enterprise customers who might be interested in purchasing drone components from us. We are seeking to add additional products to the Blue List. If these additional products are not added to the Blue List, our future results of operations may be materially and adversely affected.

**If we fail to obtain necessary regulatory approvals from the FAA or other governmental agencies or limitations are put on the use of drones in response to public privacy or safety concerns, it may prevent us from expanding the sales of our drone components in the United States.**

The regulation of drones and drone component parts such as those we offer is subject to substantial change, with regulators including potential alterations, enhancements and additions to existing laws and regulations, and the ultimate treatment is uncertain. A substantial majority of our products are subject to drone-related regulations enforced by the FAA, either directly or due to their inclusion in drones offered by third parties. Further, adverse regulatory actions such as enforcement proceedings affecting customers and other third parties with which we do business can also adversely affect us, even if the violation or harm alleged did not arise from our conduct or products. Generally, under current FAA regulations the failure to register a drone, including model aircraft, in accordance with these rules may result in regulatory and criminal sanctions. The FAA may assess civil penalties up to \$33,333. Criminal penalties include fines of up to \$250,000 and/or imprisonment for up to three years. However, the FAA and other government bodies and agencies are considering changes to address the drone industry, which is relatively new and rapidly evolving. In addition, there exists public concern regarding the privacy and safety implications of the use of drones. This concern has included calls to develop explicit written policies and procedures establishing usage limitations. There is no assurance that the response from regulatory agencies, customers and privacy advocates to these concerns will not delay or restrict the adoption of drones and related products and technologies in certain markets. These developments, and any additional regulatory or other burdens imposed on our business and industry due to public health and safety or other concerns presently faced by the drone industry, could harm us and our customers and suppliers by increasing compliance costs and restricting our operations and product offerings and uses, which could materially adversely affect us.

**We are or may become subject to governmental export and import controls, economic sanctions and other laws and regulations that could subject us to liability and impair our ability to compete in international markets.**

During 2024, we commenced sales of our Blue UAS products including to a European customer as part of a larger order. The United States and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of some technologies. Our products are subject to United States export controls, including the Commerce Department's Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls, and exports of our products must be made in compliance with these laws. Furthermore, United States export control laws and economic sanctions prohibit the provision of products and services to countries, governments, and persons targeted by United States sanctions. Even though we take precautions to prevent our products from being provided to targets of United States sanctions, our products, including our firmware updates, could be provided to those targets or provided by our customers despite such precautions.

Further, the manufacture and sale of our products in certain states and countries may subject us to environmental and other regulations. For example, many of our products rely on electricity generated by lithium-ion batteries, which implicate a variety of environmental and other regulations designed to control the production, use, and transportation of hazardous materials such as lithium and other components and minerals deployed in these batteries. In addition, the global focus on climate change, including greenhouse gas ("GHG") emissions, has resulted in legislative and regulatory efforts to address the causes and impacts of climate change, and any new and more strict laws and regulations to reduce GHG emissions and address other aspects of climate change, including carbon taxes, cap and trade programs, GHG reduction requirements, requirements for the use of green energy, and changes in procurement requirements, may result in increased operational and compliance obligations, which could adversely affect our financial condition and results of operations.

Our failure to obtain required import or export approval or to comply with other applicable domestic or international laws and regulations for our products or operations could harm our international and domestic sales and adversely affect our revenue, or could subject us to costly proceedings, penalties or damages and negative publicity.

#### **Risks Related to Intellectual Property Protection**

**If third-party intellectual property infringement claims are asserted against us, it may prevent or delay our product development and commercialization efforts and have a material adverse effect on our business and future prospects.**

Companies in the consumer electronics, wireless communications, semiconductor, artificial intelligence, information technology, and display industries steadfastly pursue and protect intellectual property rights, often times resulting in considerable and costly litigation to determine the validity of patents and claims by third parties of infringement of patents or other intellectual property rights. Other companies may hold or obtain patents or inventions or other proprietary rights in technology necessary for our business. If we are forced to defend against infringement claims, we may face costly litigation, diversion of technical and management personnel, and product shipment delays, even if the allegations of infringement are unwarranted. Intellectual property litigation is often extremely expensive and entails high legal fees and costs of expert witnesses.

Numerous United States and foreign issued patents and pending patent applications, which are owned by third parties, exist in the drone business in which we are pursuing product development and sales. As the drone industries and consumer electronics expand and more patents are issued, the risk increases that our current and future products may be subject to claims of infringement of the patent rights of third parties. Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to inventions, materials, engineering designs, or methods of manufacture related to the design, use or manufacture of our products. Because patent applications can take many years to issue, there may be patent applications currently pending that may later result in patents that our products may infringe upon. Third parties may obtain patents in the future and claim that use of our technologies or those of third parties with which our technologies are integrated infringes on these patents. If any third-party patents were to be held by a court to cover the manufacturing process of any of our products, or any of the characteristics or related components thereof, the holders of any such patents may be able to block our ability to commercialize such product unless we obtained a license under the applicable patents, or until such patents expire. Similarly, if any third-party patents were to be held by a court to cover aspects of our or our customers' or strategic partners' products or processes, the holders of any such patents may be able to block our ability to develop and commercialize the applicable product unless we obtained a license or until such patent expires. In either case, such a license may not be available on commercially reasonable terms or at all.

Parties making intellectual property claims against us may obtain injunctive or other equitable relief, which could block our ability to further develop and commercialize one or more of our products. Defense of these claims, regardless of their merit, involves substantial litigation expense and diversion of our management's attention from our business.

If a claim of patent infringement against us succeeds, we may have to pay substantial damages, possibly including treble damages and attorneys' fees for willful infringement, pay

royalties, redesign our infringing products or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure. The financial harm caused by any such development with respect to intellectual property disputes and litigation will be heightened to the extent we do not possess, acquire or maintain adequate insurance coverage for these contingencies now or in the future. Further, if there is a successful claim of infringement against us and we are unable to develop non-infringing technology or license the infringed or similar technology on a timely basis, or if we are required to cease using one or more of our business or product names due to a successful trademark infringement claim against us, it could materially adversely affect our business.

**We may depend on intellectual property rights including patent rights that have not yet been and may not be obtained by us, and our intellectual property rights and proprietary rights may not adequately protect our products.**

Our commercial success will depend substantially on the ability to obtain patents and other intellectual property rights and maintain adequate legal protection for products in the United States and other countries. We will be able to protect our intellectual property from unauthorized use by third parties only to the extent that these assets are covered by valid and enforceable patents, trademarks, copyrights or other intellectual property rights, or are effectively maintained as trade secrets. We currently have 29 issued patents, including five issued in the United States, and three pending patent applications. Certain patents were assigned to a wholly-owned subsidiary of the Company by UAV Patent Corp. ("UAV") a wholly-owned subsidiary of Red Cat Holdings, Inc. ("Red Cat"), in each case with a non-exclusive, non-sublicensable royalty free perpetual license back to UAV for Red Cat to make, use and sell products subject to such assigned patents and applications solely with respect to military and defense drone applications.

We will apply for patents covering our products, services, technologies, and designs, as we deem appropriate. We may fail to apply for patents on important products, services, technologies or designs in a timely fashion, or at all. We do not know whether, and there can be no assurance that, any of our patent applications will result in the issuance of any patents. Even if patents are issued, they may not be sufficient to protect our products, technologies, or designs. Our existing and future patents may not be sufficiently broad to prevent others from developing competing products, technologies, or designs. Intellectual property protection and patent rights outside of the United States, particularly in China, are even less predictable. As a result, the validity and enforceability of patents cannot be predicted with certainty. Moreover, we cannot be certain whether:

- we were the first to conceive, reduce to practice, invent, or file the inventions covered by each of our issued patents and pending patent applications;
- others will independently develop similar or alternative products, technologies, services or designs or duplicate any of our products, technologies, services or designs;
- any patents issued to us will provide us with any competitive advantages, or will be challenged by third parties;
- we will develop additional proprietary products, services, technologies or designs that are patentable; or
- the patents of others will have an adverse effect on our business.

The patents we own or license and those that may be issued to us in the future may be challenged, invalidated, rendered unenforceable or circumvented, and the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages. Moreover, third parties could practice our inventions in territories where we do not have patent protection or in territories where they could obtain a compulsory license to our technology where patented. Such third parties may then try to import products made using our inventions into the United States or other territories. We cannot ensure that any of our pending patent applications will result in issued patents, or even if issued, predict the breadth, validity and enforceability of the claims upheld in our and other companies' patents. Further, patents have a limited lifespan. In the United States, the natural expiration of a patent is 20 years after it is filed, although various extensions may be available. The life of a patent, and the protection it affords, is limited. When the patent life has expired for a product, we will become vulnerable to competition from competitors attempting to replicate the technology that was formerly patent protected. Further, if we encounter delays such as due to regulatory approvals, the time during which we will be able to market and commercialize a product under patent protection could be reduced.

Unauthorized parties may attempt to copy or otherwise use aspects of our processes and products that we regard as proprietary. While we plan to enter into written agreements with certain of our employees and consultants with terms designed to protect our intellectual property rights, there cannot be any assurance that these provisions will provide us with the protection sought. In addition to the inadvertent loss of a trade secret due to the failure to enter into a confidentiality agreement, the language of a particular confidentiality agreement may not protect our intellectual property. Further, any third parties with whom we do not execute such agreements, such as certain of our suppliers, could attempt to dispute our intellectual property rights or misappropriate our technology or trade secrets. Policing unauthorized use of our proprietary information and technology is difficult and can be costly, and our efforts to do so may not prevent misappropriation of our technologies. We may become engaged in litigation to protect or enforce our patent and other intellectual property rights or in International Trade Commission proceedings to abate the importation of goods that would compete unfairly with our products and, if unsuccessful, these actions could result in the loss of patent or other intellectual property rights protection for the key technologies on which our business strategy depends.

We also rely in part on unpatented proprietary technology, and others may independently develop the same or similar technology or otherwise obtain access to our unpatented technology. We generally requires employees, contractors, consultants, financial advisors, suppliers, and strategic partners to enter into confidentiality and intellectual property assignment agreements (as appropriate), but these agreements may not provide sufficient protection for our trade secrets, know-how or other proprietary information and a failure to obtain such an agreement could have serious adverse consequences.

The laws of certain countries do not protect intellectual property and proprietary rights to the same extent as the laws of the United States and, therefore, in certain jurisdictions including China, we may be unable to protect our products, services, technologies and designs adequately against unauthorized third-party copying, infringement or use, which could adversely affect our competitive position. To protect or enforce our intellectual property rights, we may initiate proceedings or litigation against third parties. Such proceedings or litigation may be necessary to protect our trade secrets or know-how, products, technologies, designs, brands, reputation, likeness, authorship works or other intellectual property rights. Such proceedings or litigation also may be necessary to determine the enforceability, scope and validity of the proprietary rights of others. Any proceedings or lawsuits that we initiate could be expensive, take significant time and divert management's attention from other business concerns.

We will register for certain of our trademarks in several jurisdictions worldwide. In some jurisdictions where we will apply to register our trademarks, other applications or registrations may exist for the same, similar, or otherwise related products or services. If we are not successful in arguing that there is no likelihood of confusion between our marks and the marks that are the subject of the other applications or registrations owned by third parties, our applications may be denied, preventing us from obtaining trademark registrations and adequate protection for our marks in the relevant jurisdictions, which could impact our ability to build our brand identity and market our products and services in those jurisdictions. Whether or not our application is denied, third parties may claim that our trademarks infringe their rights. As a result, we could be forced to pay significant settlement costs or cease the use of these trademarks and associated elements of our brand in the United States or other jurisdictions.

Even in those jurisdictions where we are able to register our trademarks, competitors may adopt or apply to register similar trademarks to ours, may register domain names that mimic ours or incorporate our trademarks, or may purchase keywords that are identical or confusingly similar to our brand names as terms in Internet search engine advertising

programs, which could impede our ability to build our brand identity and lead to confusion among potential customers of our products and services. If we are not successful in proving that we have prior rights in our marks and arguing that there is a likelihood of confusion between our marks and the marks of these third parties, our inability to prevent these third parties from using our marks may negatively impact the strength, value and effectiveness of our brand names and our ability to market our products and prevent consumer confusion.

### **Risks Related to our Financial Condition**

#### **Because the Company has a limited operating history, any investment in us is highly speculative.**

We essentially had no business operations or revenue until we acquired Fat Shark and Rotor Riot simultaneously with the closing of our initial public offering (the "IPO") in February 2024. Both companies, prior to the completion of the acquisitions, were operated by Red Cat since their acquisition by Red Cat in 2020. Since the IPO, we have grown rapidly particularly in 2025 which growth is continuing this year.

Unusual Machines must be considered in light of the uncertainties, risks, expenses, and difficulties frequently encountered by companies in their early stages of operations, and growth process. For all these reasons, we may be unable to achieve or maintain profitability in a timely manner or at all.

#### **We have incurred net losses since inception and may fail to achieve or maintain profitability.**

Since inception, we have incurred net losses for each reported quarter other than the quarter ended September 30, 2025. In the quarter ended September 30, 2025, we incurred net income of \$1,603,465, which was related to an unrealized gain in short-term investments rather than our core operations. For the year ended December 31, 2025, we sustained an operating loss of \$25,152,060 and a net loss of \$19,193,617. We will need to generate higher revenues and control operating costs in order to attain profitability. There can be no assurances that we will be able to do so or to reach profitability.

We expect to continue to incur losses for the foreseeable future and expects costs to increase in future periods as we expend substantial financial and other resources on, among other things:

- expanding from 18 employees as of March 31, 2025 to 80 employees as of December 31, 2025 to approximately 141 employees as of March 6, 2026;
- Opening four new production facilities during 2025 and Q1 2026;
- Ordering new manufacturing equipment and acquiring inventory in advance of purchase orders;
- general and administrative expenditures, including significantly increasing expenses to support the growth;
- training and integrating new employees;
- competing with other companies that are currently in, or may in the future enter, the markets in which we compete;
- maintaining high customer satisfaction and ensuring product and service quality;
- maintaining the quality of our technology infrastructure;

- establishing and increasing market awareness of our Company and enhancing our brand;
- consummating and integrating acquisitions; and
- maintaining compliance with applicable governmental regulations and other legal obligations, including those related to intellectual property and drones.

These expenditures may not result in additional revenue or the growth of our business in the manner or to the extent anticipated or intended or at all. If we fail to grow revenue or to achieve or sustain profitability, our business, financial condition, results of operations, and prospects could be materially adversely affected and the market price of our Common Stock could be adversely affected.

#### **Future operating results and key metrics may fluctuate significantly from period-to-period due to a wide range of factors, which makes our future results difficult to predict.**

Our operating results and key metrics could vary significantly from period-to-period as a result of various factors, some of which are outside of our control, including:

- delays in the receipt of orders from customers that are dependent on government orders;
- the effect that tariffs, a trade war and a potential recession may have on our business;
- delays in getting U.S. Department of War Blue List approval for additional drone components that we develop;
- the expansion or contraction of our customer base and the amount of products ordered;
- the size, duration and terms of our contracts with both existing and new customers, including distributors we may contract with;
- enterprise customers ordering of products that may be affected by their budgets and fiscal years;
- seasonality of retail sales which generally has experienced higher sales volumes in the fourth quarters than in other three-month periods as a result of holiday purchases and its e-commerce focus;
- Our ability to sell inventory that we purchased for anticipated orders which orders may or may not be received;
- sales cycles which fluctuate and often include delays between the end of one product or solution's cycle and the launch of a new product or solution to replace or supplement the prior offering;
- the introduction of products and product enhancements by competitors, and changes in pricing for products offered by us or our competitors;

- customers delaying purchasing decisions in anticipation of new products or product enhancements by us or our competitors or otherwise;

- changes in customers' budgets;
- the amount and timing of payment for expenses, including infrastructure, research and development, sales and marketing expenses, employee benefit and stock-based compensation expenses;
- costs related to the hiring, training and maintenance of our employees;
- any future impact from the ongoing geopolitical military conflicts (including the wars in Ukraine and the Middle East and instability in Latin America, and tensions between China and Taiwan). In particular, there is a risk that rising oil prices caused by the Middle East war could be disruptive and have follow-on effects that could impact the economy;
- supply chain issues;
- political unrest affecting our relationship with China and future tariffs;
- our lack of long-term agreements (including "requirements agreements") with our suppliers which can affect the availability of parts and future costs; and
- changes in laws and regulations or other regulatory developments that impact our business.

Any one of these or other factors discussed elsewhere in these Risk Factors may result in fluctuations in our operating results, meaning that period-to-period comparisons may not necessarily be indicative of our future performance.

#### **Risks Related to our Common Stock**

**The market price of our common stock has been volatile, which could result in substantial losses for investors holding our shares.**

The trading price of our common stock has been volatile and may fluctuate substantially as it has in the past. The price of our common stock in the market may be higher or lower than the price you paid, depending on many factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose part or all of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include, but are not limited to the other Risk Factors included in this Report and also include:

- the impact of the United States tariff policy and resulting litigation;
- our ability to manage our rapid growth;
- our success in managing our new drone motor, headset and other manufacturing facilities, the impact of bugs or defects in the equipment we are purchasing and the drone motors, headsets and camera components that we will manufacture, and our ability to recruit qualified employees for such facilities;
- our failure to adequately increase production capacity and achieve such reductions in manufacturing costs and projected economies of scale could materially adversely affect our business;

- our facing significant risks in the management of our inventory, and failure to effectively manage the inventory levels may result in supply imbalances that could ham our business.
- our facilities and information technologies systems and those of our key suppliers could be damaged as a result of disasters or unpredictable events which could have an adverse effect on our business operations;
- if critical components or raw materials used to manufacture our products or used in our development programs become scarce or unavailable, then we may incur delays in manufacturing and delivery of our products and in completing our development programs, which could damage our business;
- our ability to stay competitive within our markets may be dependent upon increasing manufacturing capacity to support anticipated growth and achieving cost reductions and projected economies of scale from increasing manufacturing quantities of our products;
- any softening in the economy and increases in inflation in the United States;
- the announcement of new products by our competitors;
- our ability to obtain patents for our products and defend our intellectual property from misappropriation and competitive use;
- progress and publications of the commercial acceptance of similar technologies to those we utilize;
- our ability to grow revenues and achieve profitability from operations;
- additions or departures of key personnel including our executive officers;
- actual or anticipated variations in operating results;
- business disruptions caused by natural disasters and uncontrollable events such as severe weather conditions including hurricanes or geopolitical turmoil;

- disclosure of cybersecurity attacks or data privacy issues involving our products or operations;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, capital commitments, significant contracts, or other material developments that may affect our prospects;
- adverse regulatory developments; and
- general market conditions including factors unrelated to our operating performance

These factors may adversely affect the trading price of our common stock, regardless of our actual operating performance and could prevent you from selling your common stock at or above your purchase price. In addition, the stock markets may experience extreme price and volume fluctuations that may be unrelated or disproportionate to a company's operating performance.

**Because our common stock is listed on the NYSE American, we are subject to additional regulations and continued listing requirements.**

Because our common stock is listed on the NYSE American, we are required to meet the continued listing standards for NYSE American. If we fail to meet NYSE American's listing standards, its common stock may be delisted. To maintain a listing on NYSE American, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders' equity, and certain corporate governance requirements. If we are unable to satisfy these requirements standards, our common stock could be subject to delisting. Delisting would have a negative effect on the price of our common stock and would impair your ability to sell our common stock when you wish to do so.

**If we fail to maintain effective disclosure controls and internal controls over financial reporting, it could have an adverse impact on us.**

We are required to establish and maintain appropriate disclosure controls and internal controls over financial reporting. In the past we have identified material weaknesses in our internal controls over financial reporting, which have been remediated.

Our current controls and any new controls that we develop may become inadequate because of changes in the conditions in our business, including our rapid growth. Further, we may discover weaknesses in our disclosure controls or our internal controls over financial reporting. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of management reports. Ineffective disclosure controls and procedures, and internal control over financial reporting could also cause investors to lose confidence in our reported financials and other information, which would likely have a negative effect on the market price of our common stock.

**If securities or industry analysts adversely change their recommendations regarding our common stock, the market price for our common stock and trading volume could decline.**

The trading market for our common stock will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our common stock, the market price for our common stock would likely decline.

**Because we are an emerging growth company under the federal securities laws and regulations, we do not have to comply with certain disclosure requirement.**

We qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we have elected to take advantage of specified reduced reporting and other requirements compared to those that are otherwise applicable generally to public companies. These provisions include but are not limited to: reduced disclosure obligations regarding executive compensation in periodic reports, proxy statements and registration statements; and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We will remain an emerging growth company until the earliest of (a) the last day of the fiscal year during which we have total annual gross revenues of at least \$1.235 billion; (b) the fifth anniversary of the completion of our IPO; (c) the date on which we have, during the preceding three-year period, issued more than \$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934 (the "Exchange Act"), which would occur as of the end of any fiscal year if the market value of share of our common stock that are held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

**Our Board may authorize and issue shares of a new series of preferred stock that could be superior to or adversely affect current holders of our Common Stock.**

Our Board has the power to authorize and issue shares of classes of stock, including preferred stock that have voting powers, designations, preferences, limitations and special rights, including preferred distribution rights, conversion rights, redemption rights and liquidation rights without further stockholder approval which could adversely affect the rights of the holders of our common stock. In addition, our Board could authorize the issuance of a series of preferred stock that has greater voting power than the common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to its existing common stockholders

Any of these actions could significantly adversely affect the investment made by holders of our common stock. Holders of common stock could potentially not receive dividends that they might otherwise have received. In addition, holders of our common stock could receive less proceeds in connection with any future sale of the Company, in liquidation or on any other basis.

**Our Articles of Incorporation contain certain provisions which may result in difficulty in bringing actions against or on behalf of the Company or its affiliates.**

Section 7 of our Articles of Incorporation provides that our internal affairs, including derivative actions, shall be brought exclusively in the courts located in Clark County, Nevada. To the extent that any such action asserts a claim under the Exchange Act, that claim must be brought in federal court. Section 7 also provides that the United States federal courts generally shall have exclusive jurisdiction over claims brought under the Securities Act, the effect of which is that an action under the Securities Act with respect to the Company may only be brought in the federal courts, while absent such provision the federal and state courts would otherwise have concurrent jurisdiction over such a matter. Further, Section 7 also provides for the United States District Court for the District of Nevada as the exclusive venue for any cause of action under either the Securities Act or the Exchange

Act, meaning such federal court is the only court in which such a case may be brought and heard. These provisions may have the effect of precluding stockholders from bringing suit in their forum or venue of choice. Further, these provisions may give rise to a potential ambiguity as to which courts – state or federal – should preside over certain cases such as cases with overlapping claims under both Nevada corporate law and the Securities Act and the rules and regulations thereunder. While the Supreme Court of Delaware has upheld a charter provision designating federal courts as the exclusive forum for actions brought under the Securities Act, it is unclear how a court in Nevada, might rule. Therefore, an investor seeking to bring a claim against or on behalf of the Company or its affiliates under Nevada law or the federal securities laws may be forced to litigate their case in a court which poses geographic or other hardships, and could face uncertainty as to which jurisdiction and venue the case will ultimately be heard in, which may delay, prevent or impose additional obstacles on the investor in such litigation. Investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder, and there is uncertainty as to whether a state or federal court would enforce this charter provision.

**Item 1B. Unresolved Staff Comments**

None.

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**Item 1C. Cybersecurity**

Like all companies that utilize technology, we are subject to threats of breaches of our technology systems. To mitigate the threat to our business, we will take a comprehensive approach to cybersecurity risk management. Our management actively oversees our risk management program, including the management of cybersecurity risks. We intend to establish policies, standards, processes and practices for assessing, identifying, and managing material risks from cybersecurity threats, including those discussed in our Risk Factors. We intend to devote financial and personnel resources to implement and maintain security measures to meet regulatory requirements and stakeholder expectations, and we intend to continue to make investments to maintain the security of our data and cybersecurity infrastructure. We intend to establish and maintain a Cybersecurity Maturity Model Certification compliance program and will work to meet all applicable deadlines. While there can be no guarantee that our policies and procedures will be properly followed in every instance or that those policies and procedures will be effective, we believe that the Company's investment in people and technologies will contribute to a culture of continuous improvement that will put the Company in a position to protect against potential compromises and we do not believe that risks from any prior cybersecurity threats have materially affected our business to date. We can provide no assurance that there will not be incidents in the future or that past or future attacks will not materially affect us, including our business strategy, results of operations, or financial condition.

**Item 2. Properties.**

Our corporate headquarters is in Orlando, Florida where as of March 2026, we lease five different facilities which are utilized for drone parts manufacturing, warehousing and our corporate headquarters. In addition, we lease a manufacturing facility in Canberra, Australia for motor production. Our leases vary in length, of which go through 2029.

**Item 3. Legal Proceedings.**

From time to time, we may be involved in various disputes, claims, suits, investigations, and legal proceedings arising in the ordinary course of business. For additional information, see "Note 15. Commitments and Contingencies" to our financial statements included in this Form 10-K.

**Item 4. Mine Safety Disclosures**

None.

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**PART II**

**Item 5. Market for Registrants Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

**Market Information**

Our Common Stock has been traded on the NYSE American under the symbol "UMAC" since our IPO on February 14, 2024.

The last reported sales price of our Common Stock on March 11, 2026 was \$19.84.

**Holders**

As of February 26, 2026, there were approximately 18 holders of record of our Common Stock. In addition, there are approximately 17,655 beneficial owners who hold shares of our Common Stock in "street name".

**Dividends**

The Company has never paid dividends on its Common Stock and does not anticipate that it will pay dividends in the foreseeable future. It intends to use any future earnings for the expansion of its business. Any future determination of applicable dividends will be made at the discretion of the Board of Directors and will depend on the results of operations, financial condition, capital requirements and other factors deemed relevant.

**Recent Sales of Unregistered Securities**

On November 20, 2025, the Company issued a total of 500,000 shares of the Company's common stock to its officers. The shares were valued at \$3,880,000 based on the \$7.76 quoted trading price on grant date and expensed on the grant date.

On December 29, 2025, the Company issued 142,299 shares of the Company's restricted common stock to certain officer and directors of the Company upon exercise of warrants to purchase common stock. The Company received cash proceeds of \$65,461 for cash exercised warrants.

On December 31, 2025, the Company issued 3,140 shares of the Company's restricted common stock to each of three of the Company's non-employee directors for services as a director. The shares of restricted stock are fully vested and granted under the Company's 2022 Equity Incentive Plan (the "Plan"). The shares were valued at \$12,74 per share, which was the quoted trading price of the Company's Common Stock on the date of grant, for a total value of approximately \$120,000.

The shares issued above were exempt from registration under Section 4(a)(2) of the Securities Act of 1933 and Rule 506(b) thereunder.

## **Item 6. Selected Financial Data**

As a smaller reporting company, we are not required to provide this information.

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## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the audited financial statements (prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP")) and related notes included elsewhere in this Annual Report on Form 10-K (this "Form 10-K"). The following discussion contains forward-looking statements that are subject to risks and uncertainties. See "Special Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks, and assumptions associated with those statements. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Form 10-K, particularly in the section entitled "Risk Factors." Unless we state otherwise or the context otherwise requires, the terms "we," "us," "our," "Unusual Machines," and the "Company" refer to Unusual Machines, Inc. and its subsidiaries. All amounts presented in tables, other than per share amounts, are in thousands unless otherwise noted.*

### **Recent Developments**

#### At the Market Agreement

On August 28, 2025, we entered into a Capital on Demand Sales Agreement (the "Sales Agreement") with Jones Trading Institutional Services LLC ("Jones"), pursuant to which we may issue and sell over time and from time to time up to \$300,000,000 worth of shares of our common stock (the "Shares"). Sales of the Shares, if any, may be made by any method permitted by law deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act of 1933 (the "Securities Act"), including without limitation sales made directly on or through the NYSE American, the trading market for the Company's common stock, or any other existing trading market in the United States for the Company's common stock, sales made to or through a dealer other than on an exchange or otherwise, sales made directly to Jones as principal in negotiated transactions at market prices prevailing at the time of sale or at prices related to such prevailing market prices, and/or in any other method permitted by law. Jones will use commercially reasonable efforts to sell on behalf of us all the Shares requested to be sold by us, consistent with its normal trading and sales practices, subject to the terms of the Sales Agreement.

Under the Agreement, Jones will be entitled to compensation of 3.0% of the gross proceeds from the sales of the Shares sold under the Sales Agreement. In addition, we have agreed to reimburse Jones for the fees and disbursements of its counsel, in an amount not to exceed \$55,000. In addition, we shall reimburse Jones for legal fees of its counsel up to \$3,750 for each quarterly due diligence update. The Shares are being offered and sold pursuant to a prospectus supplement filed with the Securities and Exchange Commission (the "SEC").

During the month of October 2025, we sold 4,666,600 shares of common stock at an average price of \$15.46 per share under the Agreement for total gross proceeds of approximately \$72.1 million. We paid Jones approximately \$2.2 million related to the sales of common stock under the Sales Agreement.

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#### Recent Customer Purchase Orders

On January 15, 2026, we secured a \$2.1 million order from a customer for domestically assembled drone systems for defense and government applications which includes Rotor Riot Brave flight controllers and ESCs, Fat Shark Aura analog cameras and video transmitters, HDO+ headsets and Unusual Machines motors. The order is expected to be fulfilled over the first two quarters of 2026.

On December 22, 2025, we secured a \$3.75 million order from Performance Drone Works ("PDW") to support the scaling of PDW's FPV program. The order includes FPV headsets as the Company continues to expand and scale their U.S. based manufacturing including domestic motors and other components.

On October 15, 2025, we secured an order from the U.S. Army's 101<sup>st</sup> Airborne Division for 3,500 NDAA-compliance motors produced at our new U.S. based manufacturing facility. The motors will support the Division's deployment of the new Attritable Battlefield Enabler VI.01 drones. The Army has also indicated plans to expand procurement, targeting an additional order of 20,000 components including motors from us in 2026.

On October 3, 2025, we secured an \$800,000 purchase order for high-performance drone components from Red Cat. The order includes several of our Blue UAS products and motors that will be integrated into Red Cat's FANG<sup>TM</sup> drones, supporting ongoing demand for U.S. made, NDAA compliant systems in defense, public safety, and other government agency applications.

#### Recent Investments

During the first quarter of 2026, we have entered into and made several key investments with three different private drone related companies. We invested a total \$17.5 million between the three different companies, all of which will include registration rights upon completion of their initial public offering or merger with a publicly traded company.

These investments are ancillary to our core drone components business and were made because we believe the investments will provide future drone related revenues. In all cases, we also believed that apart from the future sales benefits, each investment potential outweighed the risks.

#### Recent Hires

On February 2, 2026, we appointed Chadd Cole as Vice President of FP&A. Mr. Cole has more than 12 years of experience in financial planning and analysis roles at Verizon, Electronic Arts (EA) and most recently was the Director of FP&A at Carrier. Mr. Cole led the financial planning and analysis function including budgeting, planning and financial reporting through automation and technology.

On January 1, 2026, we promoted Stacy Wright to Chief Revenue Officer. Ms. Wright joined Rotor Riot in 2020 as Vice President and was promoted to President in 2024 following its acquisition by Unusual Machines. She has been instrumental in scaling operations evolve the business from a community-driven e-commerce platform into a diversified revenue operation service enterprise and defense customers.

### **Results of Operations**

We acquired Fat Shark and Rotor Riot on February 16, 2024 and generated no revenue from January 1, 2024 through the date of acquisition. For pro forma information unaudited result of operations reflecting our performance if we had owned these subsidiaries as of January 1, 2024, See Note 3 to our Consolidated Financial Statements.

### ***Years Ended December 31, 2025 and 2024***

#### **Revenue**

During the year ended December 31, 2025 we generated revenues totaling \$11,199,217 compared to \$5,565,319 during the year ended December 31, 2024, representing an increase of \$5,633,898 or 101%. Our revenues during 2024 consisted primarily of retail revenue in our B2C business line. The increase in revenue during 2025 primarily relates to the increase and establishment of our B2B business and revenue related to our NDAA and Blue UAS products. During the fourth quarter of 2025, we started manufacturing production on certain products including drone motors and we continue to see increased interest and demand in our manufactured products heading into 2026. We expect our revenue to continue to grow quarterly in 2026 as we continue to build out our capacity including our manufacturing facilities and products as well increasing our staffing to handle additional demand from the market.

#### **Cost of Goods Sold**

During the year ended December 31, 2025, we incurred cost of goods sold of \$7,292,370 compared to \$4,019,068 during the year ended December 31, 2024, resulting in an increase of \$3,273,302 or 81%. Cost of goods sold primarily relate to product costs from our sales, but also include certain shipping and other direct product costs including tariffs. During the fourth quarter of 2025, cost of goods sold also include direct payroll costs, a portion of rent expense and depreciation expense related to our manufactured products. The increase in cost of goods sold is primarily driven by the increase in our revenue and growth in B2B sales along with the increase in tariffs during 2025. We expect our total cost of goods sold to increase in 2026 in conjunction with our revenue increases as we sell additional product.

#### **Gross Margin**

During the year ended December 31, 2025, our gross profit was \$3,906,847 compared to \$1,546,251 during the year ended December 31, 2024, resulting in an increase of \$2,360,596 or 153%. Our gross margin, as a percentage of sales, totaled 35% during the year ended December 31, 2025, compared to 28% during the year ended December 31, 2024. We anticipate our gross margin to fluctuate period to period depending on certain promotions and products that are sold during the year including the mix between retail and enterprise sales. The increase in gross margin during the year was based on our larger mix of enterprise orders during 2025. While the margins we generated during the year are in line with our expectations and normal operating margins, we do anticipate continued fluctuations in our manufactured products into 2026 as we continue to improve our manufacturing process and become more efficient. We anticipate our gross margins to have fluctuations in 2026 as we start scaling our manufacturing process. We anticipate our gross margins will have a decline in the first two quarters of 2026 as we bring on and train our staff, work to scale production, increase to multiple shifts, and build out efficiencies. We anticipate our margins will improve in the second half of 2026 as we have more trained staff and efficient processes and as we bring on our highly-automated production line for motors.

#### **Operating Expenses**

During the year ended December 31, 2025, operations expenses totaled \$3,234,706 compared to \$959,740 during the year ended December 31, 2024, resulting in an increase of \$2,274,966 or 237%. Operations expenses primarily relate to our direct operations including our warehouse personnel and warehouse expenses. In addition, we have started incurring additional operations related expenses as we start incurring non-product costs related to our motor production and headset facilities. We expect our operations expense to increase as we continue to hire additional staff to support our operations including engineering staff to help improve process and gain efficiencies. We are also setting up our headset factory and anticipate building out a battery facility and camera facility in the second half of 2026.

During the year ended December 31, 2025, research and development expenses totaled \$202,585 compared to \$90,584 for the year ended December 31, 2024, resulting in an increase of \$112,001 or 124%. Research and development expense primarily relates to new product development as we continue to partner with manufacturers to bring drone component manufacturing to the United States. We expect our research and development expenses to increase some as we continue to build out our products, however, we do not anticipate a significant growth as compared to revenue and other costs.

During the year ended December 31, 2025, sales and marketing expenses totaled \$1,581,716 compared to \$1,091,268 for the year ended December 31, 2024, resulting in an increase of \$490,448 or 45%. Sales and marketing expenses primarily relate to advertising spend related to Rotor Riot, marketing events and payroll expenses for our sales and marketing team. The increase relates mainly to adding additional staffing to our sales and marketing team. We anticipate our sales and marketing costs to increase in 2026 related to building out our enterprise sales team, however, we expect these increases to be at a lower rate than our revenue and other expenses as our enterprise sales are more dedicated efforts, while our retail revenue is driven off of advertising sales.

During the year ended December 31, 2025, general and administrative expenses totaling \$23,898,633 compared to \$6,250,939 for the year ended December 31, 2024, resulting in an increase of \$17,647,694 or 282%. General and administrative expenses incurred during 2025 include expenses related to operations for a public company including legal and other professional fees, public company insurance expense, and other costs associated with being public. We've also increased our headcount to support our growth which includes building out our accounting, HR, and facilities staff. The above amount includes \$15,619,929 in non-cash stock compensation expense during 2025 as compared to \$2,309,531 during 2024. We expect our general and administrative expenses to increase during 2026 as we continue to build out our infrastructure with additional hires and systems. We also anticipate things like professional fees and other expenses related to being a public company to increase. In addition, we anticipate our non-cash stock compensation expense to be higher in 2026. We do not anticipate the increase in our general and administrative expenses to increase at the same rate as our revenue as we start to gain operational efficiencies at scale.

During the year ended December 31, 2025, we recognized a loss on impairment of goodwill of \$0 compared to \$10,073,326 for the year ended December 31, 2024, resulting in a decrease of \$10,073,326 or 100%. The loss on goodwill impairment in 2024 relates to the difference in the fair value calculation of goodwill from the acquisitions of Rotor Riot and Fat Shark as compared to the carrying value as of December 31, 2024. We did not have any goodwill impairment in 2025.

## **Other Income (Expense)**

During the year ended December 31, 2025, other income and expense totaled \$5,922,191 compared to (\$15,002,061) during the year ended December 31, 2024. During 2025, we generated \$1,830,944 in interest income from our preferred savings account related to our cash balances. We also generated \$1,623,317 in realized gains from our investments and an additional \$2,469,908 in unrealized gains from our investments in the drone industry. During 2024, other income and expenses mostly consisted of non-cash related charges including \$16,146,205 for the change in fair value from our derivatives including the conversion option feature on the note payable and the warrant liability. It was offset by a non-cash gain on debt extinguishment of \$1,259,979. Finally, other expenses included \$116,981 for interest expense that the Company paid in relation to its note payable during the year and interest income of \$1,146.

## **Net Loss**

Our net loss for the year ended December 31, 2025, totaled \$19,193,617. This compared to \$31,980,468 for the year ended December 31, 2024, resulting in a decrease in net loss of \$12,786,851. The change in net loss primarily consists of an increase in our revenue, offset by a large increase in G&A expenses, mainly from non-cash stock compensation expense of \$15.6 million and the net change in other income and expense during the year based on our interest income and realized and unrealized gains from investments during the year. We anticipate our net loss position to improve during 2026 as we start scaling our revenue and gain some operational efficiencies on the general and administrative expenses. This will partially be offset by anticipated fluctuations in our margins during the first half of the year.

## **Cash Flows**

### **Operating Activities**

Net cash used in operating activities was \$21,177,620 during the year ended December 31, 2025, compared to net cash used in operating activities of \$3,966,368 during the year ended December 31, 2024, representing an increase of \$17,181,252 or 433%. This change in net cash used in operating activities includes a net impact of non-cash adjustments to reconcile our net loss to net cash used in operating activities of \$15,666,817 primarily driven by not having an impairment charge on goodwill and change in fair value of derivatives during 2025 and offset by the increase in stock based compensation expense during the year. The net impact of non-cash activities was offset by an increase in our net loss this year of \$12,786,852. Our change in assets and liabilities was the other primary driver of the change in net cash used in operating activities with the primary impact being a result from an increase in prepaid inventory of \$8,760,006, inventory of \$4,399,358, and accounts receivable of \$1,538,774. This was offset by an increase in operating lease liabilities of \$2,288,458 with the addition of our additional facilities and increase in our accounts payable and accrued expenses of \$479,259.

### **Investing Activities**

Net cash used in investing activities was \$37,090,810 during the year ended December 31, 2025 compared to net cash used in investing activities of \$852,801 during the year ended December 31, 2024, representing an increase of \$36,238,009. This change in net cash used in investing activities is related to the \$38,550,000 used for short-term investments in other drone related companies during the year and \$2,062,181 related to purchase of property and equipment for our motor and headset factories which was offset by proceeds from the sale of short-term investments of \$3,428,317.

### **Financing Activities**

Net cash provided by financing activities totaled \$157,769,034 during the year ended December 31, 2025, compared to net cash provided by financing activities of \$7,711,718 during the year ended December 31, 2024, resulting in an increase in net cash provided by financing activities of \$150,057,316. The change relates to proceeds received from multiple financings during 2025 including our confidentially marketed public offering of \$40,000,000 in May 2025, our registered direct offering of \$48,500,000 in July 2025, and our at-the-market offering of \$72,145,636 in October 2025. We received \$5,000,000 related to our IPO in 2024 and an additional \$2,047,105 from a private placement in October 2024. We also had \$5,744,927 related to cash proceeds received during 2025 for warrant exercises as compared to \$1,523,700 during 2024. This was all offset by fees related to our financings of \$9,268,101 in 2025 and \$859,087 in 2024.

### **Liquidity and Capital Resources**

As of December 31, 2025, we had current assets totaling \$159,511,482 primarily consisting of cash balances of \$103,261,397, trading security investments of \$39,214,909, accounts receivable of \$1,779,423, inventory of \$5,316,648 and prepaid deposits for inventory of \$9,748,483, and other current assets of \$190,622. Our current liabilities as of December 31, 2025 totaled \$2,601,347, primarily consisting of accounts payable and accrued expenses of \$1,506,793, operating lease liabilities of \$456,429 and customer deposits of \$638,125. Our net working capital as of December 31, 2025 was \$156,910,135.

On October 29, 2024, we completed a private placement offering for the sale of 1,286,184 shares of Common Stock at a price of \$1.52 per share for aggregate gross proceeds of \$1.95 million before deducting fees to the placement agent and other expenses payable by us in connection with the private placement. We retained approximately \$1.8 million in net proceeds.

In December 2024, two investors and note holders exercised their option to convert \$3.0 million of the then outstanding Convertible Note into 1,507,538 shares of Common Stock at a price of \$1.99 per share. After the conversion and as of December 31, 2024, we no longer have any debt outstanding.

In December 2024, we also had several investors exercise 684,000 warrants with cash and we issued 684,000 shares of our Common Stock for total cash proceeds of approximately \$1.5 million.

On February 26, 2025, multiple investors exercised 1,224,606 warrants at \$1.99 per warrant from the October 2024 Private Placement and we issued 1,224,606 shares of our Common Stock and received cash proceeds of approximately \$2.4 million.

On May 7, 2025, we completed a confidentially marketed public offering in which we sold 8,000,000 shares of our common stock at \$5.00 per share and after deducting underwriting discounts and expenses, we received approximately \$36.5 million in net cash proceeds.

On July 14, 2025, we entered into a Securities Purchase Agreement with certain investors for the purchase and sale of 5,000,000 shares of common stock in a registered direct offering at a public offering price of \$9.70 per share. We received net cash proceeds of approximately \$44.9 million.

During the month of October 2025, we sold a total of 4,666,600 shares of common stock at an average price of \$15.46 per share under our Sales Agreement and after deducting fees and other expenses, we received approximately \$69.9 million in net cash proceeds.

On November 5, 2025, warrant holders exercised 640,000 warrants at \$5.00 per warrant in connection with the May 2025 confidentially marketed public offering and the Company issued 640,000 shares of Common Stock. The Company received cash proceeds of \$3.2 million in relation to the exercise.

As of March 6, 2026, we have approximately \$90 million in cash and \$27 million in inventory and prepaid inventory. We believe that the net proceeds from our 2025 financings, warrant exercises, revenues, and existing cash balances will be sufficient to fund our current operating plans through at least the next 12 months. We have based these estimates, however, on assumptions that may prove to be wrong, and we could spend our available financial resources much faster than we currently expect and need to raise additional funds sooner than we anticipate.

### ***Critical Accounting Policies and Estimates***

Our financial statements and accompanying notes have been prepared in accordance with GAAP applied on a consistent basis. 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

### **Business Combinations**

The Fat Shark, Rotor Riot, and Rotor Lab acquisitions were accounted for as a business combination under ASC 805. We recognized the assets acquired and liabilities assumed at fair value as of the date of acquisition. The fair value is determined based on assumptions used in valuations and estimates determined by management, which are subjective.

The Rotor Lab acquisition included a contingent consideration of up to \$3.0 million based on the Company producing and recognizing revenue, dollar for dollar related to internally manufactured motors during the first two years after the acquisition closing date. The fair value of contingent consideration is determined using the Monte-Carlo variable scenario model which values the liability at the measurement date using certain assumptions including the expected revenue over the calculation period, a discount rate related to revenue projections, the risk-free interest rate over the earnout period and certain estimates and probabilities of different outcomes.

### **Impairment of goodwill and long-lived assets**

Goodwill represents the future economic benefit arising from other assets acquired in an acquisition that are not individually identified and separately recognized. Goodwill represents costs in excess of fair values assigned to the underlying identifiable net assets of acquired businesses. Intangible assets from acquired businesses are recognized at fair value on the acquisition date. Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired.

### **Valuation of Inventory**

Our policy for valuation of inventory requires us to evaluate the net realizable value of our inventory using various reference measures including current product selling prices, as well as evaluating for excess quantities and obsolescence. We may be required to record inventory write-downs if actual inventory values are less favorable than those estimates by management.

### **Accounts Receivable**

We carry our accounts receivable at invoiced amounts. We evaluate our accounts receivable on a periodic basis and establish an allowance for credit losses based on a history of past write-offs and collections and current credit conditions. Accounts are written-off as uncollectible at the discretion of management.

### **Revenue Recognition**

We receive revenues from the sale of drone and drone parts from enterprise customers and distributors (enterprise revenue) and individual consumers (retail revenue). Sales revenue is recognized when the products are shipped and the price is fixed or determinable, no other significant obligations of the Company exist and collectability is probable. Revenue is recognized when the title to the products has been passed to the customer, which is the date the products are shipped to the customer. This is the date the performance obligation has been met.

### **Investments**

We have several short-term investments in other publicly traded drone and drone related companies. Since the investments are not part of the company's primary business, the Investments are valued under ASC 820 – Fair Value Measurement. Common stock, preferred stock and warrants are both measured at Fair Value each quarter, with changes recognized through net income each reporting period. We value the fair value of preferred stock based on the conversion calculation of preferred shares into common shares outlined in the certificate of designation into a common stock equivalent multiplied by the quoted trading price of the common stock as of the close of market on the reporting period. Due to the warrants being non-tradable, we estimate fair value using a Black-Scholes model based on the current stock price, the exercise price of the warrant, the estimated volatility of the stock, the risk-free interest rate, and the expected life of the warrant.

### **Stock Based Compensation**

Certain employees and directors have received grants of restricted common shares in our company. Other employees received grants of stock options in our Company. These awards are accounted for in accordance with guidance prescribed for accounting for equity-based compensation. Based on this guidance and the terms of the awards, the awards are equity classified.

The fair value of restricted stock awards is based on the fair value of the Company's Common Stock on the date of grant and expensed over the vesting period.

The fair value of each stock option award is determined using the Black-Scholes option-pricing model which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, and the risk-free interest rate over the expected life of the option. The expected volatility was determined considering comparable companies historical stock prices as a peer group for the fiscal year the grant occurred and prior fiscal years for a period equal to the expected life of the option. The

risk-free interest rate was the rate available from the St. Louis Federal Reserve Bank with a term equal to the expected life of the option. The expected life of the option was estimated based on a mid-point method calculation.

#### Derivatives and Fair Value

The fair value of our derivative liabilities are determined using the binomial option pricing model which values the liability on the stock price at the grant date, the estimate volatility of the stock, the estimate of the expected term, the risk-free interest rate over the expected term, and certain estimates and probabilities of different outcomes.

Management performed an assessment on the convertible option feature included in the note payable to determine if the optional conversion feature should be bifurcated from the host contract and accounted for separately as a liability pursuant to ASC 815. This assessment includes judgment from management to determine if the derivative is clearly and closely related to the debt and if it meets certain definitions of a derivative.

The Company classifies warrants issued for the purchase of shares of its common stock as either equity or liability instruments based on an assessment of the specific terms and conditions of each respective contract. The assessment considers whether the warrants are freestanding financial instruments or embedded in a host instrument, whether the warrants meet the definition of a liability pursuant to ASC 480, whether the warrants meet the definition of a derivative under ASC 815, and whether the warrants meet all of the requirements for equity classification under ASC 815. 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 equity 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 as liabilities at their fair value.

#### ***Off-Balance Sheet Arrangements***

We have no off-balance sheet arrangements.

#### ***Recently Issued Accounting Pronouncements***

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

As a smaller reporting company, we are not required to provide this information.

#### **Item 8. Financial Statements and Supplementary Data**

### UNUSUAL MACHINES, INC. INDEX TO FINANCIAL STATEMENTS

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**Report of Independent Registered Public Accounting Firm**

 To the Board of Directors and Stockholders of:  
 Unusual Machines, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Unusual Machines, Inc. and Subsidiaries (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows, for each of the two years in the period ended December 31, 2025, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2025 and 2024, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Salberg &amp; Company, P.A.

SALBERG &amp; COMPANY, P.A.

We have served as the Company's auditor since 2024

Boca Raton, Florida

March 12, 2026

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**Unusual Machines, Inc.  
 Consolidated Balance Sheets**

	December 31,	
	2025	2024
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 103,261,397	\$ 3,757,323
Short-term investments	39,214,909	–
Accounts receivable	1,564,739	66,575
Related party accounts receivable	214,684	–
Inventories	5,316,648	1,335,503
Prepaid inventory	9,748,483	904,728
Other current assets	190,622	31,500
Total current assets	<u>159,511,482</u>	<u>6,095,629</u>
Property and equipment, net	2,233,891	570
Operating lease right-of-use assets, net	2,607,256	323,514
Other assets	197,785	59,426
Goodwill	15,596,105	7,402,906
Intangible assets, net	2,561,895	2,225,530
Total non-current assets	<u>23,196,932</u>	<u>10,011,946</u>
Total assets	<u>\$ 182,708,414</u>	<u>\$ 16,107,575</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,506,793	\$ 668,732
Deferred revenue	638,125	197,117
Operating lease liability	456,429	67,820
Total current liabilities	<u>2,601,347</u>	<u>933,669</u>

Long-term liabilities		
Deferred tax liability	146,772	93,793
Operating lease liability – long term	2,173,626	262,171
Contingent consideration	2,847,000	–
	<u>                    </u>	<u>                    </u>
Total liabilities	7,768,745	1,289,633
Commitments and contingencies (Note 15)		
	–	–
Common stock - \$0.01 par value, 500,000,000 authorized and 37,759,911 and 15,122,018 shares issued and outstanding at December 31, 2025 and 2024, respectively		
	377,596	151,221
Additional paid in capital	229,665,734	50,580,235
Accumulated deficit	(55,107,131)	(35,913,514)
Accumulated other comprehensive income	3,470	–
Total stockholders' equity	<u>174,939,669</u>	<u>14,817,942</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and stockholders' equity	\$ 182,708,414	\$ 16,107,575

See accompanying independent auditor's report and notes to the financial statements.

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**Unusual Machines, Inc.**  
**Consolidated Statements of Operations and Comprehensive Income (Loss)**

	Year Ended December 31,	
	2025	2024
Revenue	\$ 11,199,217	\$ 5,565,319
Cost of goods sold	<u>7,292,370</u>	<u>4,019,068</u>
Gross profit	3,906,847	1,546,251
Operating expenses:		
Operations	3,234,706	959,740
Research and development	202,585	90,584
Sales and marketing	1,581,716	1,091,268
General and administrative	23,898,633	6,250,939
Loss on impairment of goodwill	–	10,073,326
Depreciation and amortization	141,267	72,161
Total operating expenses	<u>29,058,907</u>	<u>18,538,018</u>
Loss from operations	<u>(25,152,060)</u>	<u>(16,991,767)</u>
Other income (expense):		
Interest income	1,830,944	1,146
Interest expense	(519)	(116,981)
Gain on debt extinguishment	–	1,259,979
Change in fair value of derivatives and warrant liabilities	–	(16,146,205)
Unrealized gain from short-term investments	2,469,908	–
Realized gain from short-term investments	1,623,317	–
Gain (Loss) from foreign currency transactions	(1,459)	–
Total other income (expense)	<u>5,922,191</u>	<u>(15,002,061)</u>
Net loss before income tax	<u>(19,229,869)</u>	<u>(31,993,828)</u>
Income tax benefit	<u>36,252</u>	<u>13,360</u>
Net loss	<u>\$ (19,193,617)</u>	<u>\$ (31,980,468)</u>
Comprehensive Income (Loss):		
Net loss	\$ (19,193,617)	\$ (31,980,468)
Other comprehensive income (loss):		
Gain from foreign currency translation	<u>3,470</u>	<u>–</u>
Comprehensive loss	<u>\$ (19,190,147)</u>	<u>\$ (31,980,468)</u>
Net loss per share		
Basic and diluted	<u>\$ (0.74)</u>	<u>\$ (3.84)</u>
Weighted average common shares outstanding		
Basic and diluted	<u>26,015,541</u>	<u>8,325,128</u>

See accompanying independent auditor's report and notes to financial statements.

**Unusual Machines, Inc.**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the Years Ended December 31, 2025 and 2024**

	Series A, Preferred Stock		Series B, Preferred Stock		Series C, Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Value	Shares	Value	Shares	Value	Shares	Value			
Balance, December 31, 2023	–	\$ –	190	\$ 2	–	\$ –	3,217,255	\$ 32,173	\$ 5,315,790	\$ (3,933,046)	\$ 1,414,919
Issuance of common shares as settlement	–	–	–	–	–	–	16,086	161	64,183	–	64,344
Issuance of common shares, initial public offering, net of offering costs	–	–	–	–	–	–	1,250,000	12,500	3,837,055	–	3,849,555
Issuance of common shares, business combination	–	–	–	–	–	–	4,250,000	42,500	16,957,500	–	17,000,000
Issuance of common shares, equity incentive plan	–	–	–	–	–	–	1,330,955	13,310	(13,310)	–	–
Issuance of common shares, private placement, net	–	–	–	–	–	–	1,286,184	12,862	1,812,842	–	1,825,704
Exchange of common shares for Series A preferred	4,250	43	–	–	–	–	(4,250,000)	(42,500)	42,457	–	–
Exchange of convertible note for Series C preferred	–	–	–	–	210	2	–	–	999,998	–	1,000,000
Conversion of preferred shares to common shares	(4,250)	(43)	(190)	(2)	(210)	(2)	5,830,000	58,300	(58,253)	–	–
Cash exercise of warrants	–	–	–	–	–	–	684,000	6,840	1,516,860	–	1,523,700
Convertible note conversion	–	–	–	–	–	–	1,507,538	15,075	17,849,250	–	17,864,325
Stock compensation expense - vested stock	–	–	–	–	–	–	–	–	2,194,938	–	2,194,938
Stock option compensation expense	–	–	–	–	–	–	–	–	60,925	–	60,925
Net loss	–	–	–	–	–	–	–	–	–	(31,980,468)	(31,980,468)
Balance, December 31, 2024	–	\$ –	–	\$ –	–	\$ –	15,122,018	\$ 151,221	\$ 50,580,235	\$ (35,913,514)	\$ 14,817,942

	Series A, Preferred Stock		Series B, Preferred Stock		Series C, Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Value	Shares	Value	Shares	Value	Shares	Value				
Balance, December 31, 2024	–	\$ –	–	\$ –	–	\$ –	15,122,018	\$ 151,221	\$ 50,580,235	\$ (35,913,514)	\$ –	\$ 14,817,942
Issuance of common shares, Management/BOD	–	–	–	–	–	–	1,870,534	18,702	(18,702)	–	–	–
Issuance of common shares, option exercises	–	–	–	–	–	–	162,816	1,629	644,943	–	–	646,572
Issuance of common shares, consulting services	–	–	–	–	–	–	7,896	78	(78)	–	–	–
Issuance of common shares, advisory board	–	–	–	–	–	–	258,000	2,580	(2,580)	–	–	–
Issuance of common shares for exercise of warrants	–	–	–	–	–	–	2,015,405	20,154	5,724,773	–	–	5,744,927
Issuance of common shares, confidentially marketed public offering	–	–	–	–	–	–	8,000,000	80,000	36,416,000	–	–	36,496,000
Issuance of common shares, registered direct offering	–	–	–	–	–	–	5,000,000	50,000	44,851,000	–	–	44,901,000
Issuance of common shares, at-the-market, net of offering costs	–	–	–	–	–	–	4,666,600	46,666	69,933,868	–	–	69,980,534
Issuance of common shares, Rotor Lab acquisition	–	–	–	–	–	–	656,642	6,566	5,916,345	–	–	5,922,911
Stock compensation expense	–	–	–	–	–	–	–	–	1,868,514	–	–	1,868,514
Stock compensation expense - vested stock	–	–	–	–	–	–	–	–	13,751,416	–	–	13,751,416
Net loss	–	–	–	–	–	–	–	–	–	(19,193,617)	–	(19,193,617)

Foreign currency translation gain	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,470	3,470
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Balance, December 31, 2025	–	–	–	\$ –	–	\$ –	–	<u>37,759,911</u>	<u>\$ 377,596</u>	<u>\$ 229,665,734</u>	<u>\$ (55,107,131)</u>	<u>\$ 3,470</u>	<u>\$ 174,939,669</u>
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See accompanying independent auditor's report and notes to financial statements.

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**Unusual Machines, Inc.**  
**Consolidated Statements of Cash Flows**

	<u>Year Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (19,193,617)	\$ (31,980,468)
Depreciation and amortization	141,267	72,161
Stock compensation expense as settlement	–	64,344
Stock compensation expense	15,619,929	2,255,862
Unrealized gain on short-term investments	(2,469,908)	–
Realized gain on sale of short-term investments	(1,623,317)	–
Loss on impairment on goodwill	–	10,073,326
Change in fair value of derivatives and warrant liabilities	–	16,146,205
Gain on debt extinguishment	–	(1,281,880)
Credit loss provision	18,122	–
Income tax benefit	(36,252)	(13,360)
<b>Change in assets and liabilities:</b>		
Accounts receivable	(1,598,551)	(59,777)
Inventory	(3,944,257)	455,101
Prepaid inventory	(8,843,755)	(83,749)
Other assets	(137,280)	54,940
Right of use asset	(2,353,311)	–
Accounts payable and accrued expenses	745,949	266,690
Operating lease liabilities	2,240,020	(48,438)
Customer deposits and other current liabilities	257,342	82,676
Net cash used in operating activities	<u>(21,177,620)</u>	<u>(3,996,367)</u>
<b>Cash flows from investing activities:</b>		
Cash portion of consideration paid for acquisition of businesses, net of cash received	93,054	(852,801)
Cash paid for short-term investments	(38,550,000)	–
Proceeds from sale of short-term investments	3,428,317	–
Purchases of property and equipment	(2,062,181)	–
Net cash used in investing activities	<u>(37,090,810)</u>	<u>(852,801)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common shares, public offering	40,000,000	5,000,000
Proceeds from issuance of common shares, registered direct offering	48,500,000	–
Proceeds from issuance of common shares, at the market	72,145,636	–
Proceeds from option exercises	646,572	–
Proceeds from issuance of common shares, private placement	–	2,047,105
Proceeds from issuance of common shares, warrant exercises	5,744,927	1,523,700
Common share issuance offering costs	(9,268,101)	(859,087)
Net cash provided by (used in) financing activities	<u>157,769,034</u>	<u>7,711,718</u>
Net increase (decrease) in cash	99,500,604	2,862,550
Effect of exchange rate changes on cash	3,470	–
Cash, beginning of year	<u>3,757,323</u>	<u>894,773</u>
Cash, end of year	<u>\$ 103,261,397</u>	<u>\$ 3,757,323</u>
<b>Supplemental disclosures of cash flow information:</b>		
Non-cash consideration paid for assets acquired and liabilities assumed	<u>\$ 8,769,911</u>	<u>\$ 21,000,000</u>
Deferred acquisitions costs	<u>\$ –</u>	<u>\$ 100,000</u>
Deferred offering costs recorded as a reduction of proceeds	<u>\$ –</u>	<u>\$ 512,758</u>

See accompanying independent auditor's report and notes to financial statements.

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## **Note 1 – Organization and nature of business**

Unusual Machines, Inc. ("the Company") is a Nevada corporation engaged in the commercial drone industry. The Company reincorporated from Puerto Rico to Nevada on April 22, 2024.

On February 16, 2024, the Company closed its Initial Public Offering (the "IPO") of 1,250,000 shares of common stock at a public offering price of \$4.00 per share ("IPO Price"). The shares are traded on NYSE American. Simultaneous with the closing of the IPO, the Company acquired Fat Shark Holdings Ltd. ("Fat Shark") and Rotor Riot, LLC ("Rotor Riot") from Red Cat Holdings, Inc. ("Red Cat") (See Note 3).

On September 3, 2025, the Company acquired Rotor Lab Pty. Ltd., an Australian company ("Rotor Lab). See Note 3 for additional information.

## **Note 2 – Summary of significant accounting policies**

### Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### Principles of Consolidation

The consolidated financial statements include accounts of the Company and its wholly owned subsidiaries including UMAC IP Holdings Corp., Fat Shark and Rotor Riot since acquired on February 16, 2024 and Rotor Lab since acquired on September 3, 2025. Intercompany transactions and balances have been eliminated upon consolidation.

### 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, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates, and such results could be material.

The financial statements include some amounts that are based on management's best estimates and judgments. Significant estimates reflected in these consolidated financial statements include those used to (i) determine stock-based compensation, (ii) the fair value of assets acquired and liabilities assumed in business combinations, the fair value of shares issued as consideration and the fair value of contingent consideration in business combinations, (iii) reserves and allowances related to accounts receivable, and inventory, (iv) the evaluation of long-lived assets, including intangibles and goodwill, for impairment, (v) the fair value of lease liabilities and related right of use assets, (vi) the fair value of short-term investments including the value of unexercised warrants received, (vii) the warranty liability and sales returns reserves, (viii) the fair value of embedded conversion option and warrant derivative liabilities and (ix) the deferred tax asset valuation allowance.

### Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains cash deposits at a financial institution that is insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company's cash balance may at times exceed these limits. At December 31, 2025 and 2024, the Company had approximately \$102.6 million and \$3.0 million, respectively, in excess of federally insured limits. The Company continually monitors its positions with, and the credit quality of the financial institutions with which it invests.

### Accounts Receivable, net

The Company carries its accounts receivable at invoiced amounts. The Company follows ASC 326, Financial Instruments – Credit Losses and has early adopted in fiscal year 2025, ASU 2025-05, under which the Company evaluates all credit losses as of the reporting date. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for credit losses based on a history of past write-offs and collections and current credit conditions. Accounts are written-off as uncollectible at the discretion of management. At December 31, 2025 and 2024, the Company considers accounts receivable to be fully collectible; accordingly, no allowance for credit losses has been established. The Company had total credit losses of \$18,122 and \$0 for the years ended December 31, 2025 and 2024, respectively.

### Short-Term Equity Investments

The Company measures its investments in marketable equity securities, preferred stock, and non-public warrants at fair value with changes in value recognized in net income (loss) per ASC 321. During the year ended December 31, 2025, the Company made multiple short-term investments totaling \$38.6 million. For the year ended December 31, 2025 the realized gain from short-term investments was approximately \$1.6 million and unrealized gain from short-term investments was approximately \$2.5 million. The Company holds less than a 5% equity interest in each of the companies it invested in as of December 31, 2025.

### Inventory

Inventories, which consist of finished goods and raw materials, are stated at the lower of cost or net realizable value, and are measured using the first-in, first-out method. Cost components include direct materials, direct labor, an allocation of rent expense and depreciation for manufactured products, as well as in-bound freight. At each balance sheet date, the Company evaluates the net realizable value of its inventory using various reference measures including current product selling prices, as well as evaluating for excess quantities and obsolescence.

### Property and equipment, net

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is provided utilizing the straight-line method over the estimated useful lives which includes computer equipment of three to five years, motor production equipment of ten to fifteen years and tenant improvements of five to fifteen years.

### Leases

The Company applies Accounting Standards Codification (ASC) 842, "Leases" which requires the recognition of assets and liabilities associated with lease agreements. The Company recognized a lease liability obligation and a right-of-use asset for the facilities leases in Orlando, FL and for the Canberra Australia related to the Rotor Lab acquisition as discussed in Note 3.

The Company determines if a contract is a lease or contains a lease at inception. Operating lease liabilities are measured, on each reporting date, based on the present value of the future minimum lease payments over the remaining lease term. The Company's leases do not provide an implicit rate. Therefore, the Company used an effective discount rate of 11.49% based on its last debt financings. Operating lease assets are measured by adjusting the lease liability for lease incentives, initial direct costs incurred and asset impairments.

Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term with the operating lease asset reduced by the amount of the expense. The Company has elected to account for lease and non-lease components together as a single lease component for all underlying assets. Lease terms do not include an option to renew.

### Business Combinations

The Company accounts for business combinations under ASC 805 using the acquisition method of accounting where the assets acquired and liabilities assumed are recognized based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of certain acquired assets and liabilities and certain purchase price components is subjective in nature and often involves the use of significant estimates and assumptions used in valuations and estimates determined by management. Business acquisitions are included in the Company's consolidated financial statements as of the date of the acquisition.

### Goodwill and Long-lived Assets

Goodwill represents the future economic benefit arising from other assets acquired in an acquisition that are not individually identified and separately recognized. The Company tests goodwill for impairment in accordance with the provisions of ASC 350, Intangibles – Goodwill and Other, ("ASC 350"). Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired. ASC 350 provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if an entity concludes otherwise, then it is required to perform an impairment test. The impairment test involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired. If, however, the fair value of the reporting unit is less than book value, then an impairment loss is recognized in an amount equal to the amount that the book value of the reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company recorded an impairment loss on goodwill of \$10,073,326 in 2024 based on the Company's future net cash flows from the acquisitions. No impairment loss on goodwill was recognized in 2025.

The estimate of fair value of a reporting unit is computed using either an income approach, a market approach, or a combination of both. Under the income approach, we utilize the discounted cash flow method to estimate the fair value of a reporting unit. Significant assumptions inherent in estimating the fair values include the estimated future cash flows, growth assumptions for future revenues (including gross margin, operating expenses, and capital expenditures), and a rate used to discount estimated future cash flow projections to their present value based on estimated weighted average cost of capital (i.e., the selected discount rate). Management's assumptions are based on historical data, supplemented by current and anticipated market conditions, estimated growth rates, and management's plans. Under the market approach, fair value is derived from metrics of publicly traded companies or historically completed transactions of comparable businesses. The selection of comparable businesses is based on the markets in which the reporting units operate and consider risk profiles, size, geography, and diversity of products and services.

The Company reviews long-lived assets, including tangible assets and other intangible assets with definitive lives, for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC 360-10-35, "Impairment or Disposal of Long-Lived Assets". ASC 360 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. Amortizable intangible assets are assessed for impairment upon triggering events that indicate that the carrying value of an asset may not be recovered. Recoverability is measured by a comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the associated asset. If such assets are determined to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the intangible assets. No impairment charges were recorded by the Company as of December 31, 2025 and 2024.

The Company has certain indefinite-lived trademark assets that are reviewed for impairment by first performing a qualitative analysis in accordance with ASC 350-30 to determine whether it is more likely than not that the fair value of the indefinite-lived asset is less than its carrying value. If based on this assessment, management determines that impairment is not more than likely, then no further quantitative testing is required. However, if performing a qualitative analysis determines that it is more likely than not that the fair value is less than its carrying value, then a quantitative analysis is performed in accordance with ASC 350-30-35, which occurs annually in the fourth quarter, or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the associated asset. If such assets are determined to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. The Company performed only a qualitative analysis for 2025. The Company performed a qualitative and quantitative analysis for 2024. The Company utilized the relief-from-royalty method, which is a form of the income approach and requires us to make significant estimates and assumptions including preparation of forecasted revenue, selection of a royalty rate and discount rate and estimate of the terminal year revenue growth rate for the quantitative analysis for 2024. The Company did not record an impairment as of December 31, 2025 and 2024, related to the indefinite-lived assets.

### Fair Value Measurements, Fair Value of Financial Instruments and Short-Term Investments

The fair value measurements and disclosure guidance defines fair value and establishes a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. In accordance with this guidance, the Company has categorized its recurring basis financial assets and liabilities into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The guidance establishes three levels of the fair value hierarchy as follows:

*Level 1:* Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

*Level 2:* Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

*Level 3:* Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The following table details the fair value measurements of the Company's financial assets and liabilities as of December 31, 2025 and 2024:

2025	Total	Level 1	Level 2	Level 3
<b>Short term investments – assets:</b>				
Common stock	\$ 17,302,428	17,302,428	–	–
Preferred stock	20,777,480	–	20,777,480	–
Warrants	1,135,000	–	–	1,135,000
<b>Total short-term investments – assets</b>	<b>\$ 39,214,908</b>	<b>\$ 17,302,428</b>	<b>\$ 20,777,480</b>	<b>\$ 1,135,000</b>
Contingent consideration from Rotor Lab acquisition	2,847,000	–	–	2,847,000
<b>Total</b>	<b>\$ 42,061,908</b>	<b>\$ 17,302,428</b>	<b>\$ 20,777,480</b>	<b>\$ 3,982,000</b>

  

2024	Total	Level 1	Level 2	Level 3
Warrant liabilities	\$ –	\$ –	\$ –	\$ –
Derivative liability – convertible note conversion option	–	–	–	–
<b>Total</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>

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The Company calculated the fair value for common stock for short-term investments based on the quoted trading price as of the close of the market multiplied by the total shares held by the Company as of December 31, 2025. The fair value for preferred stock for short-term investments is based on the conversion calculation of preferred shares into common shares outlined in the certificate of designation into a common stock equivalent multiplied by the quoted trading price of the common stock as of the close of market on December 31, 2025. The fair value of the non-public warrants investment in 2025 was determined using a Black-Scholes pricing model which values the warrants based on the stock price at the valuation date, the expected life of the warrant, the estimated volatility of the stock of the investee, and the risk-free interest rate over the expected life of the warrant. The Company used the following inputs related to the warrant fair value as of the investment acquisition date and December 31, 2025:

Supplemental Information	Non-public Warrants
Expected life of the warrants (years)	0.25 - 1.375
Stock price	\$3.78 - 4.16
Warrant strike price	\$6.00
Risk free interest rate	3.475 – 4.30%
Volatility	124.16 - 146.22%

The contingent consideration from the Rotor Lab acquisition is based on managements estimate of \$2,847,000, which is based on the fair value of contingent consideration is determined using the Monte-Carlo variable scenario model which values the liability at the measurement date using certain assumptions including the expected revenue over the calculation period, a discount rate applied to revenue projections, the risk-free interest rate over the earnout period and certain estimates and probabilities of different outcomes. See Note 3 for additional information.

Changes in Level 3 financial instruments are as follows:

	December 31, 2024	Purchases, Issuances and Settlements	Change in Fair Value	December 31, 2025
Non-public warrants investment	\$ –	\$ 195,000	\$ 940,000	\$ 1,135,000
Contingent consideration from Rotor Lab acquisition	–	2,847,000	–	2,847,000
<b>Total</b>	<b>\$ –</b>	<b>\$ 3,042,000</b>	<b>\$ 940,000</b>	<b>\$ 3,982,000</b>

  

	December 31, 2023	Purchases, Issuances and Settlements	Change in Fair Value	December 31, 2024
Warrant liabilities	\$ –	\$ 9,771	\$ (9,771)	\$ –
Derivative liability – Convertible note	–	(16,155,976)	16,155,976	–
<b>Total</b>	<b>\$ –</b>	<b>\$ (16,146,205)</b>	<b>\$ 16,146,205</b>	<b>\$ –</b>

The Company's financial instruments mainly consist of cash, receivables, short-term investments, other current assets, accounts payable, and accrued expenses. The carrying amounts of cash, receivables, other current assets, accounts payable, and accrued expenses approximate fair value due to the short-term nature of these instruments.

Our short-term investments consisted of the following as of December 31, 2025:

	Cost	Gross Unrealized Gains (Losses)	Fair Value
Short-term investments	\$ 36,745,000	\$ 2,469,908	\$ 39,214,908
<b>Total</b>	<b>\$ 36,745,000</b>	<b>\$ 2,469,908</b>	<b>\$ 39,214,908</b>

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#### Accrued Warranty

Fat Shark generally provides a one-year warranty on all of its products, except in certain European countries where it can be two years for some consumer-focused products from the date of shipment. If a defect arises during the warranty period, Fat Shark will either (i) repair the affected product at no charge using new parts or parts that are equivalent to new in performance and reliability; (ii) exchange the affected product with a functionally equivalent product; or (iii) refund the original purchase price for the affected product. Allowances for estimated warranty costs are recorded during the period of sale. The determination of such allowances requires the Company to make estimates of product warranty

claim rates and expected costs to repair or to replace the products under warranty. The Company currently establishes warranty reserves based on historical warranty costs for each product line combined with liability estimates based on the prior 24 months' sales activities. If actual return rates and/or repair and replacement costs differ significantly from the Company's estimates, adjustments to recognize the additional cost of sales may be required in future periods. Historically the warranty accrual and the expense amounts have been immaterial. The warranty liability is included in accrued expenses on the accompanying consolidated balance sheets and amounted to \$19,602 and \$28,944 as of December 31, 2025 and December 31, 2024, respectively.

Rotor Riot does not provide any warranty of any kind for any of the equipment it sells or otherwise distributes. Consumers assume all risk for any products purchased or received from Rotor Riot.

Rotor Lab does not provide any warranty, but does provide for a seven day defect period. Rotor Lab has not had any material defects for products sold.

Effective September 2025, Unusual Machines, the parent company which manufactures motors, has a limited warranty in which it warrants to customers that their products will be free from defects in material and workmanship under normal use and service for up to 90 days. The limited warranty covers manufacturing defects and premature failures and extends only to the original customer and is non-transferrable. The Company did not have any warranty claims as of December 31, 2025.

#### Revenue Recognition

The Company will recognize revenue in accordance with ASC 606, "Revenue from Contracts with Customers", issued by the Financial Accounting Standards Board ("FASB"). This standard includes a comprehensive evaluation of factors to be considered regarding revenue recognition including:

- Step 1: Identify the contract with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation at a point in time.

The Company receives revenues from the sale of drone and drone parts to enterprise customers and distributors ("Enterprise Revenue") and individual consumers ("Retail Revenue"). Sales revenue is recognized at a point in time when the products are shipped and the price is fixed or determinable, no other significant obligations of the Company exist and collectability is probable. Revenue is recognized when the title to the products has been passed to the customer, which is the date the products are shipped to the customer. This is the date the performance obligation has been met. The Company's retail return policy allows for certain non-custom or built-to-order products to be returned up to 15 days after the original order is placed so long as it meets specific requirements as outlined in its return policy. The Company's enterprise return policy allows for returns related to defective product so long as it meets the requirements in its policy. The historical sales returns for retail customers is de minimis and the Company does not have a specific sales return allowance for retail orders. The Company does not have any historical returns for enterprise orders and as such has not recorded a sales returns allowance.

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#### Disaggregation of Revenue

The following table presents the Company's revenue disaggregated by revenue type for the years ended:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Retail Revenue	\$ 4,485,656	\$ 4,003,206
Enterprise Revenue	6,713,560	1,562,113
Total revenue	<u>\$ 11,199,217</u>	<u>\$ 5,565,319</u>

The Company had sales outside the United States of approximately \$0.6 million and \$0.4 million for the years ended December 31, 2025 and 2024, respectively.

#### Deferred Revenue

Deferred revenue relates to orders placed and payment received, but not yet fulfilled. All deferred revenue is expected to be recognized within one year. Deferred revenue related to orders placed, but not yet fulfilled totaled \$638,125 and \$197,117 as of December 31, 2025 and December 31, 2024, respectively. The Company did not have any deferred revenue as of December 31, 2023. The Company has recognized \$197,117 of deferred revenue during 2025 that was outstanding as of December 31, 2024 during the year ended December 31, 2025. The increase in deferred revenue relates to current year orders that have not yet been fulfilled, most of which were received during the third and fourth quarter of 2025 and expected to be delivered in the first and second quarter of 2026.

#### Significant Concentrations

The Company's revenue included significant concentration from a limited number of customers. For the year ended December 31, 2025, Customer A and Customer B accounted for approximately 16.7% and 15.9% of the Company's total revenues, respectively. Customer A did not have any outstanding accounts receivable as of December 31, 2025, and Customer B had approximately 62.6% of the total accounts receivable balance as of December 31, 2025. All of Customer B's accounts receivable has been collected in 2026.

#### Cost of Goods Sold

Cost of goods sold includes inventory costs which includes an allocation for labor and rent for our manufactured products, direct packaging costs and production related depreciation, if any. Depreciation included in cost of goods sold for the years ended December 31, 2025 and 2024 was \$18,916 and \$0, respectively.

#### Shipping and Handling Costs

Shipping and handling costs incurred for products shipped to customers are included in general and administrative expenses and amounted to \$377,827 and \$226,621 for the years ended December 31, 2025 and December 31, 2024, respectively. Shipping and handling costs charged to customers are included in sales.

#### Research and Development

Research and development expenses include payroll, employee benefits, and other headcount-related expenses associated with product development. Research and development expenses also include third-party development costs, materials, and a proportionate share of overhead costs.

#### Income Taxes

The Company accounts for income taxes using an asset and liability approach, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events. A valuation allowance is established to reduce deferred tax assets to their estimated realizable value when, in the opinion of management, it is more likely than not that some portion or all of the deferred income tax assets will not be realizable in the future.

The Company recognizes benefits of uncertain tax positions if it is more likely than not that such positions will be sustained upon examination based solely on their technical merits, as the largest amount of benefit that is more likely than not to be realized upon the ultimate settlement. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits as a part of income tax expense.

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### Stock-Based Compensation

Stock options are valued using the estimated grant-date fair value method of accounting in accordance with ASC Topic 718, Compensation – Stock Compensation. Fair value is determined based on the Black-Scholes Model using inputs reflecting our estimates of expected volatility based on comparative companies, expected term using the simplified method and future dividends. The Company recognizes forfeitures as they occur. The fair value of stock grants is based on our stock price on the date of grant. Compensation costs are recognized on a straight-line basis over the requisite service period which is the vesting term.

### Warrants

The Company accounts for warrants to purchase shares of its common stock in accordance with the guidance in ASC 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and Hedging ("ASC 815"). The Company classifies warrants issued for the purchase of shares of its common stock as either equity or liability instruments based on an assessment of the specific terms and conditions of each respective contract. The assessment considers whether the warrants are freestanding financial instruments or embedded in a host instrument, whether the warrants meet the definition of a liability pursuant to ASC 480, whether the warrants meet the definition of a derivative under ASC 815, and whether the warrants meet all of the requirements for equity classification under ASC 815. 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 equity at the time of issuance. For issued or modified warrants that do not meet all of the criteria for equity classification, the warrants are required to be recorded as liabilities 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 classified as liabilities are recognized as a non-cash gain or loss in the consolidated statements of operations and comprehensive loss.

### Embedded Conversion Option Derivative

The Company accounts for embedded debt conversion features in accordance with the guidance in ASC 815, Derivatives and Hedging ("ASC 815"). If the embedded debt conversion feature is not clearly and closely related to the debt host, then it is required to be bifurcated from the host contract and accounted for separately as a derivative liability. The derivative liability is required to be recorded at its initial fair value on the date of issuance, and each balance sheet date, thereafter. Changes in the estimated fair value of the derivative are recognized as a non-cash gain or loss in the consolidated statements of operations and comprehensive loss. This assessment, which requires the use of professional judgment, is conducted at the time of Note issuance and as of each subsequent quarterly period end date while the Note is outstanding.

### Foreign Currency

The Company's wholly owned subsidiary's functional currency is the Australia dollar (AUD). For financial reporting purposes, the Australia dollar has been translated into the Company's reporting currency, which is the United States dollar (USD). Assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated at the average rate of exchange prevailing during the reporting period. Equity transactions are translated at each historical transaction date spot rate. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity (deficit) as "Accumulated other comprehensive income (loss)." Gains and losses resulting from foreign currency translations are included in the statement of operations and comprehensive income (loss) as a component of other comprehensive income (loss). There have no significant fluctuations in the exchange rate for the conversion of Australian dollars to USD after the balance sheet date. Transaction gains and losses from transactions denominated in a foreign currency are recognized in other income (expense) in the statement of operations.

Changes in the cumulative translation adjustments were as follows:

Balance as of December 31, 2024	\$	–
Foreign currency translation adjustment related to Rotor Lab		3,470
Balance as of December 31, 2025	\$	<u>3,470</u>

### Net Loss per Share

Basic and diluted net loss per share is calculated based on the weighted-average of common shares outstanding in accordance with FASB ASC Topic 260, *Earnings per Share*. Diluted net loss per share is calculated based on the weighted-average number of common shares outstanding plus the effect of dilutive potential common shares. When the Company reports a net loss, the calculation of diluted net loss per share excludes potential common shares as the effect would be anti-dilutive.

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### Segment Reporting

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Unusual Machines, which sells drones and drone-related components, operates as a single reportable segment entity. Our chief operating decision maker, our Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance. The Chief Executive Officer is regularly provided with consolidated revenue and expenses consistent with those presented in the consolidated statements of operations and is provided with consolidated assets and liabilities consistent with those presented in the consolidated balance sheets.

### Recent Accounting Pronouncements

In November 2024, the FASB issued ASU No. 2024-03, "Disaggregation of Income Statement Expenses" which requires disaggregated disclosure of income statement expenses into specified categories in disclosures within the footnotes to the financial statements. The standard is effective for annual reporting periods beginning after December 15, 2026. The Company is currently evaluating the effect of this ASU on the consolidated financial statements and disclosures.

In May 2025, the FASB issued ASU No. 2025-4, "Compensation – Stock Compensation and Revenue From Contracts With Customers" which provides clarifications to share-based consideration payable to a customer. The standard is effective for annual reporting periods beginning after December 15, 2026. The Company is currently evaluating the effect of this ASU on the consolidated financial statements and disclosures.

### **Note 3 – Acquisitions**

#### *Fat Shark and Rotor Riot*

On February 16, 2024, the Company closed on the acquisitions of both Fat Shark and Rotor Riot from Red Cat and Jeffrey Thompson, the founder and Chief Executive Officer of Red Cat (the "Business Combination") (See Note 13 – Related Party Transactions for additional information). Fat Shark and Rotor Riot are in the business of designing and marketing consumer drones and first-person-view ("FPV") headsets. Rotor Riot is also a licensed authorized reseller of consumer drones manufactured by third parties.

The Company specializes in the production and sale of small drones and essential components and with the acquisitions of Fat Shark and Rotor Riot, it brings brand recognition and a strong curated retail channel in the FPV drone market segment. This Business Combination is a realization of the Company's strategy to build its business both organically and through strategic acquisitions that leverage our retail business to onshore production of critical drone components. With the transition to onshoring production of drone components, the Company intends to expand into B2B channels for customers that require a domestic supply chain.

The Business Combination was based on a share purchase agreement (the "Purchase Agreement") that was executed on November 21, 2022. From November 21, 2022 to February 16, 2024, the Purchase Agreement was subject to several amendments and subject to certain working capital adjustments. Under the terms of the Purchase Agreement, as amended, the consideration paid for the acquired assets consisted of (i) \$1.0 million in cash and a cash deposit of \$0.1 million made in 2022, (ii) issuance of a \$4.0 million 18 month promissory note to Red Cat (see Note 9 "Promissory and Convertible Notes" for further details), and (iii) the issuance of 4,250,000 shares of the Company's common stock, which represented approximately 48.66% of the outstanding common stock of the Company on February 16, 2024, after the effect of the issued shares (collectively the "Consideration Paid"). The Company valued the Red Cat common stock at \$4.00 per share for \$17,000,000 which represents the IPO price of the Company's common stock on February 15, 2024. Accordingly, the value of the Consideration Paid is equal to \$22,100,000.

The acquisitions met the definition of a business combination under ASC 805, Business Combinations, and therefore the assets acquired, and liabilities assumed are accounted for at fair value.

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The following represents the fair value allocation of Fat Shark and Rotor Riot Purchase Price:

Cash	\$	147,200
Accounts receivable (approximates contractual value)		6,798
Inventories (on hand and prepaid)		2,611,583
Other current assets		10,892
Right of use asset – operating		378,430
Other long-term assets		59,426
Goodwill		17,476,232
Intangible assets		2,297,007
		<u>22,987,568</u>
Total assets		22,987,568
Accounts payable and accrued liabilities		287,544
Customer deposits		114,441
Deferred tax liability		107,153
Operating lease liability – current and long-term		378,430
Total liabilities		<u>887,568</u>
Total purchase price	\$	<u>22,100,000</u>

On December 31, 2024, the Company recorded a measurement period adjustment to the above fair value allocation to report a deferred tax liability of \$107,153 and increase goodwill by the same amount.

Goodwill and intangible assets relate to Fat Shark and Rotor Riot being FPV market leaders and their well-known and established brands within the industry and related patents. Combining these entities and their existing customer base along with Unusual Machines' strategy of extending to B2B sales of drone components will provide a strategic advantage.

The acquisitions were treated as stock acquisitions for U.S. income tax purposes, and no election was made to treat the transactions as asset acquisitions. Accordingly, the tax bases of the acquired assets and liabilities carried over, and the goodwill recorded for financial reporting purposes is not deductible for income tax purposes. Deferred tax liabilities were recorded for book-tax differences related primarily to intangible assets recognized in purchase accounting. Goodwill for tax purposes will be amortized over 15 years.

The results of Fat Shark and Rotor Riot have been included in the Consolidated Financial Statements from the date of acquisition of February 16, 2024. The table below presents the results as reported by the Company and unaudited pro forma results of the Company, assuming that the acquisition of Fat Shark and Rotor Riot occurred at the beginning of the year ended 2024 are as follows. The unaudited pro forma results are not necessarily indicative of what actually would have occurred had the acquisitions been in effect for the periods presented (in thousands, except per share data):

	<b>For the Year Ended December 31, 2024</b>	
	<b>As Reported</b>	<b>Proforma (unaudited)</b>
Revenue	\$ 5,565	\$ 6,060
Gross profit/(loss)	1,546	1,578
Loss from operations	(6,918)	(6,962)

Other expense and income taxes		(25,062)	(25,062)
Net loss	\$	(31,980)	\$ (32,024)
Net earnings per share:			
Basic	\$	(3.84)	\$ (3.85)

This unaudited consolidated pro forma financial information is presented for informational purposes only. The unaudited consolidated pro forma adjustments are based on preliminary estimates, information available and certain assumptions, and may be revised as additional information becomes available. In addition, the unaudited pro forma financial information does not reflect any adjustments for non-recurring items or anticipated synergies resulting from the acquisition.

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The unaudited pro forma financial information from the beginning of the periods presented until the acquisition date includes adjustments to: 1) eliminate intercompany revenue and associated cost of sales for sales of product from Fat Shark to Rotor Riot, 2) to adjust fair value for certain Fat Shark inventory as if the acquisition had occurred as of the beginning of the respective periods and 3) to include acquisition related expenses in the Q1 '23 that were incurred in Q1 '24.

#### Rotor Lab

On September 3, 2025, the Company closed on the acquisition of Rotor Lab. Rotor Lab is an Australian developer and manufacturer of electric motors and propulsion systems for unmanned aerial systems ("UAS"). Its product line includes precision-wound electric motors across multiple classes, from sub-400W units for small UAS to high-power motors supporting large rotary and fixed wing platforms.

In addition to the motor production facility in Australia, the Company built out a motor production facility in Orlando, FL and started producing motors for drones in the fourth quarter of 2025. The Company and Rotor Lab have been working together prior to the acquisition on co-developing several motor designs and sizes. The acquisition helps the Company accelerate their goals of building a resilient drone supply chain through their team and technology. In addition, Rotor Lab will continue to serve as the engineering center for the Company's motor design, prototyping, and low to medium volume production of orders.

The Business Combination was based on a share purchase agreement (the "Rotor Lab Purchase Agreement") that was executed on June 12, 2025, subject to customary closing conditions and was completed on September 3, 2025. Under the terms of the Rotor Lab Purchase Agreement, the consideration paid for the acquired assets consisted of (i) the issuance of common stock for a value of \$4.0 million based on the preceding 20 day average Volume Weighted Average Price ("VWAP") of the Company's stock from the date of the signing the Rotor Lab Purchase Agreement in June 2025, and (ii) the issuance of common stock ("Contingent Shares") for up to a total value of an additional \$3.0 million based on the Company producing and recognizing revenue, dollar for dollar related to internally manufactured motors during the first two years after the acquisition closing date. The Contingent Shares will be calculated and issued based on the Company's VWAP for the preceding 20 days on each anniversary date of the closing of the transaction.

The acquisition met the definition of a business combination under ASC 805, Business Combinations, and therefore the assets acquired, and liabilities assumed are accounted for at fair value. The Company issued 656,642 shares of its common stock based on the formula as noted above, which resulted in an initial purchase price of \$5,922,911 based on the Company's stock price of \$9.02 on September 3, 2025, which was the closing date of the acquisition. The contingent purchase price has been initially recorded at \$2,847,000. The fair value of contingent consideration was determined using the Monte-Carlo variable scenario model which values the liability at the measurement date using certain assumptions including the expected revenue over the calculation period, a discount rate applied to revenue projections, the risk-free interest rate over the earnout period and certain estimates and probabilities of different outcomes.

Such fair value amounts are subject to adjustment during the one-year measurement period.

The following represents the fair value allocation of Rotor Lab Purchase Price:

Cash	\$	93,054
Accounts receivable		132,419
Inventories		36,888
Prepaid expenses		21,843
Property and equipment		179,772
Right of use asset – operating		58,524
Other current assets		10,266
Customer Relationships		190,000
Non-Compete Agreements		233,000
Trade Names		46,000
Goodwill		8,193,199
<b>Total assets</b>		<b>9,194,965</b>
Accounts payable and accrued liabilities		92,113
Deferred revenue		183,666
Deferred tax liability		89,231
Operating lease liability – current and long-term		60,044
<b>Total liabilities</b>		<b>425,054</b>
Initial consideration		5,922,911
Contingent consideration		2,847,000
<b>Total purchase price</b>	\$	<b>8,769,911</b>

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On September 3, 2025, the Company acquired 100% of the issued shares of Rotor Lab. For U.S. federal income tax purposes, the acquisition is treated as a stock purchase. The Company did not make an election under Section 338 of the Internal Revenue Code. As a result, the tax bases of Rotor Lab's assets and liabilities carry over from their historical amounts, and no step-up in tax basis was recorded for U.S. tax purposes. Goodwill for tax purposes will be amortized over 15 years.

The results of Rotor Lab have been included in the Consolidated Financial Statements from the date of acquisition. Revenue was \$183,481 and net loss was \$80,581 from the date of acquisition through December 31, 2025 in the consolidated statement of operations. The table below presents the results as reported by the Company and unaudited pro forma results of the Company, assuming that the acquisition of Rotor Lab occurred at the beginning of each period. The unaudited pro forma results are not necessarily indicative of what actually would have occurred had the acquisition been in effect for the periods presented (in thousands, except per share data):

	For the Year Ended December 31, 2025		For the Year Ended December 31, 2024	
	As Reported (unaudited)	Proforma (unaudited)	As Reported (unaudited)	Proforma (unaudited)
Revenue	\$ 11,199	\$ 11,721	\$ 5,565	\$ 6,019
Gross profit/(loss)	3,906	4,161	1,546	1,960
Loss from operations	(25,152)	(25,399)	(16,991)	(6,962)
Other expense	5,922	5,879	(15,002)	(25,062)
Net loss	\$ (19,193)	\$ (19,520)	\$ (31,980)	\$ (32,024)
Net earnings per share:				
Basic	\$ (0.74)	\$ (0.86)	\$ (3.84)	\$ (4.11)

The unaudited consolidated pro forma financial information is presented for informational purposes only. The unaudited consolidated pro forma adjustments are based on preliminary estimates, information available and certain assumptions, and may be revised as additional information becomes available. In addition, the unaudited pro forma financial information does not reflect any adjustments for non-recurring items or anticipated synergies resulting from the acquisition.

#### **Note 4 – Inventories**

Inventories, which consist solely of raw materials and finished goods was as follows as of December 31, 2025 and December 31, 2024, respectively.

	December 31, 2025	December 31, 2024
Raw materials	\$ 4,232,774	\$ –
Finished goods	1,083,874	1,335,503
Total inventory	\$ 5,316,648	\$ 1,335,503

In addition, the Company had prepaid deposits for inventory totaling \$9,748,483 and \$904,728 as of December 31, 2025 and December 31, 2024, respectively.

#### **Note 5 – Other Assets**

Other current assets included as of:

	December 31, 2025	December 31, 2024
Prepaid insurance	\$ 101,689	\$ 31,500
Prepaid benefits	48,606	–
Prepaid rent	40,327	–
Total other current assets	\$ 190,622	\$ 31,500

Non-current other assets include rent security deposits of \$197,785 related to the operating leases for the Orlando, FL facilities and the Rotor Lab facility in Australia as of December 31, 2025.

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#### **Note 6 – Property and Equipment, net**

Property and equipment consist of assets with an estimated useful life greater than one year. Property and equipment are reported net of accumulated depreciation, and the reported values are periodically assessed for impairment. Property and equipment as of:

	December 31, 2025	December 31, 2024
Computer equipment	\$ 35,973	\$ 7,738
Motor production equipment	2,083,354	–
Tenant improvements	149,280	–
Total Property and Equipment	2,268,607	7,738
Accumulated depreciation	(34,716)	(7,168)
Total property and equipment, net	\$ 2,233,891	\$ 570

Depreciation expense totaled \$27,548 and \$684 for the year ended December 31, 2025 and 2024, respectively. A total of \$ 18,916 and \$0 of depreciation expense was recorded to cost of goods sold in related to the production of motors for the years ended December 31, 2025 and 2024, respectively. The Company has open commitments of approximately \$2.63 million related to the purchase of motor production equipment and \$0.9 million related to tenant improvements. These assets are expected to be placed into service during the second quarter of 2026.

#### **Note 7 – Operating Leases**

The Company has assumed in the February 2024 business combination of Rotor Riot, a five-year operating lease for approximately 6,900 square feet of warehouse and office space in Orlando, Florida. The lease commenced in November 2023 and expires in October 2028. The Company has valued the ROUA and the associated liability, as of February 16, 2024, at \$378,430. Operating lease expense totaled \$105,145 and \$92,002, respectively for the years ended December 31, 2025 and 2024.

In June 2025, Unusual Machines signed a lease agreement for an additional 17,000 square feet of warehouse/office space in Orlando, FL. This space will be used primarily for motor production. The lease commencement date is August 1, 2025 and currently runs through August 21, 2030. The Company has valued the ROUA and the associated liability, as of

August 1, 2025, at \$973,443. Operating lease expense totaled \$105,719 and \$0, respectively for the years ended December 31, 2025 and 2024.

In October 2025, Unusual Machines signed a lease agreement for an additional 25,000 square feet of warehouse/office space in Orlando, FL. This space will be used primarily for order fulfillment and inventory storage. The lease commencement date is December 1, 2025 and currently runs through December 31, 2030. The Company has valued the ROUA and the associated liability, as of December 1, 2025, at \$1,430,522. Operating lease expense totaled \$31,071 and \$0, respectively for the years ended December 31, 2025 and 2024.

The Company has assumed in the acquisition of Rotor Lab on September 3, 2025, a three-year operating lease of warehouse and office space in Canberra, Australia. The leased commenced in May 2024 and expires in April 2027. The Company has valued the ROUA and the associated liability, as of September 3, 2025, at \$58,524. Operating lease expense totaled \$10,527 and \$0, respectively for the years ended December 31, 2025 and 2024.

The Company has no finance leases.

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The following is a summary of the operating lease right-of-use assets and liabilities at December 31, 2025 and December 31, 2024:

	2025	2024
Operating lease right-of-use assets	\$ 2,881,628	\$ 378,430
Less: accumulated amortization	(274,372)	(54,916)
Operating lease right-of-use assets, as of December 31	<u>2,607,256</u>	<u>323,514</u>
Operating lease liability	2,881,628	378,430
Less: accumulated reduction	(251,573)	(48,439)
Operating lease liability, as of December 31	<u>2,630,055</u>	<u>329,991</u>
Current operating lease liability	456,429	67,820
Non-current operating lease liability	2,173,626	262,171
Total operating lease liability	<u>\$ 2,630,055</u>	<u>\$ 329,991</u>

The following is a summary of future lease payments required under the lease agreement:

Year	Future Lease Payments	Operating Lease Discount	Operating Lease Liability
2026	728,007	(271,427)	456,581
2027	729,055	(221,640)	507,415
2028	724,262	(163,360)	560,902
2029	655,281	(103,009)	552,272
2030	585,355	(32,471)	552,884
Total	<u>\$ 3,421,962</u>	<u>\$ (791,908)</u>	<u>\$ 2,630,055</u>

Supplemental Information	UMAC	Rotor Riot	Rotor Lab
Weighted average remaining lease term (in years)	4.83	2.83	1.33
Weighted average discount rate	11.49%	11.49%	11.49%

#### Note 8 – Goodwill and Intangible Assets

##### Goodwill

Changes in the carrying amount of goodwill were as follows:

	Total
Goodwill as of December 31, 2023	\$ –
Fat Shark and Rotor Riot acquisitions	17,476,232
Impairment loss on goodwill during the year ended December 31, 2024	(10,073,326)
Goodwill as of December 31, 2024	<u>7,402,906</u>
Rotor Lab acquisitions	8,193,199
Goodwill as of December 31, 2025	<u>\$ 15,596,105</u>

Accumulated impairment losses as of December 31, 2025 were \$10,073,326. No impairment loss was recognized during the year ending December 31, 2025.

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##### Intangible Assets

As of December 31, 2025, the balances of intangible assets were as follows:

	Type	Gross Value	Accumulated Amortization	Net Value
Patents/IP – Fat Shark	Finite-lived	\$ 816,877	\$ (153,164)	\$ 663,713

Trademark – Rotor Riot	Indefinite-lived	1,480,130	–	1,480,130
Trade name – Rotor Lab	Finite-lived	46,000	(3,067)	42,933
Customer relationships – Rotor Lab	Finite-lived	190,000	(9,048)	180,952
Non-Compete Agreements – Rotor Lab	Finite-lived	233,000	(38,833)	194,167
Total intangible assets, net		<u>\$ 2,766,007</u>	<u>\$ (204,112)</u>	<u>\$ 2,561,895</u>

As of December 31, 2024, the balances of intangible assets were as follows:

	Type	Gross Value	Accumulated Amortization	Net Value
Patents/IP	Finite-lived	\$ 816,877	\$ (71,477)	\$ 745,400
Trademark	Indefinite-lived	1,480,130	–	1,480,130
Total intangible assets, net		<u>\$ 2,297,007</u>	<u>\$ (71,477)</u>	<u>\$ 2,225,530</u>

Patents and intellectual property relate to the patents and technology know-how from the acquisition of Fat Shark in February 2024. Patents are amortized over 10 years. Trademarks relate to the brand name and recognition of Rotor Riot from the acquisition in February 2024.

Trade name for Rotor Lab is amortized over 5 years, customer relationships are amortized over 7 years and non-compete agreements are amortized over 2 years.

Amortization expense for the year ended December 31, 2025 and 2024 was \$132,635 and \$71,477, respectively.

#### **Note 9 – Promissory and Convertible Notes**

In February 2024 and in conjunction with the acquisition of Fat Shark and Rotor Riot, as discussed in Note 3, the Company issued a promissory note ("Note") with Red Cat Holdings, Inc. ("Red Cat") for \$2.0 million. In July 2024, the Company finalized its working capital adjustment with Red Cat which increased the overall purchase price by an additional \$2.0 million. In accordance with ASC 470, Debt, the additional \$2.0 million was treated as a modification that was not treated as a debt extinguishment and expenses related to the debt were expensed as incurred. The additional \$2.0 million was added to the existing Note and was reflected as an adjustment to the opening purchase price and was included in the opening balance sheet as of February 16, 2024 as an increase to goodwill and intangible assets. Accordingly, the Note was amended to increase the principal amount of the Note to \$4.0 million.

Subsequently and in July 2024, in conjunction with a private sale of Red Cat's common stock and its promissory note to two accredited investors ("Investors"), the Company issued new notes to the new Investors (the "July Notes") and cancelled the original Note. The July Notes contained 8% per annum interest. In addition, the maturity date of the July Notes was extended to November 30, 2025, subject to certain conditions.

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On August 21, 2024, the Company entered into two exchange agreements with the Investors, under which the Investors exchanged their respective 8% July Notes for new 4% Convertible Notes (the "August Notes"). Pursuant to the exchange agreements, the Investors exchanged the \$4,000,000 of July Notes for an aggregate of (i) \$3,000,000 for the August Notes, (ii) 210 shares of Series C preferred stock, which converts into 630,000 shares of the Company's common stock, and (iii) 630,000 warrants with a five-year term and an exercise price of \$1.99 per share, subject to certain adjustments. The July Notes were cancelled as a part of the exchange agreement. In accordance with ASC 470, since the August Notes were considered a greater than 10% change from the July Notes and a substantive conversion option was added to the August Notes, this exchange was treated as a debt extinguishment. The August Notes bear interest at 4% annually with interest payable monthly and the principal due on November 30, 2025. The August Notes are convertible into common stock at a fixed \$1.99 per share, except in the Event of Default as defined in the August Notes, which the conversion price for an Event of Default Conversion is calculated at a 10% discount of the average three-day volume-weighted average price prior to the conversion date.

During the third quarter 2024, the Company recognized a loss on debt extinguishment of \$685,151 related to the exchange agreement discussed above. The loss on extinguishment related to the August Notes included \$315,303 fair value related to the warrant liability issued, \$347,947 fair value related to the optional conversion feature derivative liability of the remaining principal balance, and \$21,901 cash fees paid for legal costs related to the August Notes. The Company used the binomial option pricing method for calculating the derivative fair value related to the warrants and optional conversion feature (see Note 10 – Derivative Liabilities).

In December 2024, the Investors exercised their conversion option to convert the remaining \$3,000,000 in August Notes to Common Stock at a fixed \$1.99 conversion price. As a result, the Company issued 1,507,538 shares of common stock, cancelled the \$3,000,000 in August Notes, and recorded \$17,864,325 to common stock and additional paid in capital related to the conversion of the August Notes to Common Stock. This value is based on the closing price of the Company's common stock on December 3, 2024 of \$11.85 per share. This resulted in a loss on debt extinguishment of \$14,864,325. The settlement of the related conversion option derivative resulted in a gain on extinguishment of \$16,503,923 (see Note 10). The net gain was \$1,639,598.

A reconciliation of the net gain on debt extinguishment during the year ended December 31, 2024 is as follows:

	December 31, 2024
Loss from August Notes modification	\$ (685,151)
Loss from conversion of debt to common stock	(14,864,325)
Gain from settlement of conversion option	16,503,923
Gain from settlement of warrant liability	305,532
Net gain on debt extinguishment	<u>\$ 1,259,979</u>

Total interest expense for the years ended December 31, 2025 and December 31, 2024 was \$0 and \$116,981, respectively.

#### **Note 10 – Derivative Liabilities**

The fair value of the derivative liabilities are determined using the binomial option pricing model which values the liability on the stock price at the grant date, the estimated volatility of the stock, the risk-free interest rate over the expected term, and certain estimates and probabilities of different outcomes. Changes in the fair value of the derivative are recorded in the income statement in other income and expense on a quarterly basis.

##### Derivative liability – conversion option

In August 2024 and in conjunction with the issuance of the August Notes as discussed in Note 9 – Promissory and Convertible Notes, the Company recorded a derivative liability

related to the optional conversion feature ("Conversion Derivative") in accordance with ASC 815 as it is not clearly and closely related to the host contract and the embedded debt conversion feature meets the definition of a liability due to a potential variable amount of shares that may be issued upon conversion. The initial fair value on August 21, 2024 for the Conversion Derivative was \$347,947.

On December 3, 2024, the holders of the Convertible Note exercised their conversion option to convert the remaining \$3,000,000 of the convertible note into 1,507,538 shares of common stock. As a result, the Company recorded an increase in fair value of the derivative liability conversion option of \$16,155,976. The Conversion Derivative fair value as of December 31, 2024 was \$0 given the conversion feature was exercised and is no longer outstanding.

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### Warrant Liability

In August 2024 and in conjunction with the issuance of the August Notes as discussed in Note 9 – Promissory and Convertible Notes, the Company issued warrants that include specific provisions and obligations including a fundamental transaction provision that may require a cash payment to the holder upon a triggering event, that in accordance with ASC 815, require the warrants to be classified as a liability. The initial fair value on August 21, 2024 for the Warrant Liability was \$315,303.

On December 3, 2024, the warrant holders exercised 630,000 warrants (which is included in the 684,000 of total warrant exercises as noted in Note 11) at \$1.99 per shares related to the August Notes and the Company received cash proceeds of \$1,253,700 related to the warrants. The Company recognized a decrease in the fair value of the warrant liability of \$9,771. The warrant liability fair value as of December 31, 2024 was \$0 since the warrants were exercised and are no longer outstanding.

The assumptions used related to the fair value of the derivative liability – conversion option and warrant liability is as follows:

<b>Significant Assumptions</b>	<b>Initial Period</b>	<b>Subsequent Period</b>
Volatility	91.4%	100.90%
Risk free interest rate	3.6%	4.13%
Expected life	3.5 years	3.5 years
Dividend yield	0%	0%

### Note 11 – Earnings Per Share and Stockholders' Equity

#### Earnings per Share

Outstanding securities not included in the computation of diluted net loss per share because their effect would have been anti-dilutive include as of December 31:

	<b>2025</b>	<b>2024</b>
Stock options issued to employees	739,684	330,000
Warrants issued and outstanding related to July 2025 registered direct offering	350,000	–
Warrants issued and outstanding related to our February 2024 IPO	–	8,500
Warrants issued and outstanding related to our October 2024 private placement	–	1,389,079
Total outstanding securities not included in the computation of diluted net loss per share	<u>1,089,684</u>	<u>1,727,579</u>

#### Preferred Stock

As of December 31, 2025 and December 31, 2024, there are no issued and outstanding Series A, B, and C Preferred Stock. On April 10, 2025, the Company withdrew the Certificates of Designation for the Series A, Series B and Series C Preferred Stock with the State of Nevada and no shares of preferred stock remain authorized.

The Series A was convertible into common stock at a ratio of 1,000 shares of common stock for each share of Series A stock held, subject to certain limitations. The Series A shares were not entitled to vote on any matters submitted to shareholders of the Company.

The Series B was convertible into common stock at a ratio of 5,000 shares of common stock for each share of Series B stock held, subject to certain limitations. The Series B shares were not entitled to vote on any matters submitted to shareholders of the Company.

The Series C was convertible into common stock at a ratio of 3,000 shares of common stock for each share of Series C stock held, subject to certain limitations. The Series C shares were not entitled to vote on any matters submitted to shareholders of the Company.

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### 2024 Preferred Stock Transactions

On July 22, 2024, the Company's principal shareholder, Red Cat sold all of its securities in the Company to the two unaffiliated third-party Investors. As part of the transaction, Red Cat entered into an Exchange Agreement with the Company pursuant to which Red Cat exchanged 4,250,000 shares of the Company's common stock for 4,250 shares of the Company's Series A. The Series A shares can be convertible back into the same amount of shares of common stock as of the date of the original exchange, and as a result the Company did not recognize any gain or loss related to the exchange.

On August 21, 2024, the Company entered into two exchange agreements with the Investors, under which each investor exchanged an aggregate of \$1,000,000 of their Notes for an aggregate of 210 shares of the Company's Series C and 630,000 warrants (see Note 12 – Share Based Awards).

In November and December 2024, the two Investors converted 4,250 shares of Series A into 4,250,000 shares of common stock. The Company canceled the 4,250 shares of Series A upon the conversion and as of December 31, 2024, there were no shares of Series A preferred stock outstanding.

During 2024, shareholders converted 190 shares of Series B into 950,000 shares of common stock. The Company canceled the 190 shares of Series B upon the conversion and as of December 31, 2024, there were no shares of Series B preferred stock outstanding.

In December 2024, the two Investors converted 210 shares of Series C into 630,000 shares of common stock. The Company canceled the 210 shares of Series C upon the conversion.

and as of December 31, 2024, there were no shares of Series C preferred stock outstanding.

### Common Stock

#### 2025 Transactions

On January 14, 2025, the Company issued 3,546 immediately vested restricted shares of common stock to non-employee directors of the Company. The shares of restricted stock were granted under the 2022 Equity Incentive Plan. The shares were valued at \$11.99 per share, which was the value the Company's common stock on the date of grant, respectively for a total of \$42,517 to be recognized as stock compensation expense on the grant date.

On February 3, 2025, the Company issued 480,000 restricted shares of common stock to executive officers and certain employees of the Company. The shares of restricted stock were granted under the Company's 2022 Equity Incentive Plan. The restricted shares issued to executive officers are subject to pro rata forfeiture through December 31, 2025. The restricted shares issued to certain employees are subject to pro-rata forfeiture over a four-year period. The shares were valued at \$12.00 per share, which was the value of the Company's common stock on the date of grant, respectively for a total of \$5,760,000 to be recognized as stock compensation expense pro-rata over the vesting period. Stock compensation expense of \$5,007,742 was recognized during the year ended December 31, 2025.

In February 2025, the Company issued 1,224,606 shares of common stock related to warrant holders exercising their warrants at an exercise price of \$1.99. The Company received gross proceeds of \$2,436,966 related to the warrant exercises. The Company cancelled the 1,224,606 warrants upon issuance of the common shares.

On May 7, 2025, in a confidentially marketed public offering the Company sold 8,000,000 shares of common stock at \$5.00 per share resulting in gross proceeds of \$40,000,000, prior to payment of placement agent fees of \$3,200,000 and \$304,000 of other offering expenses resulting in net proceeds of \$36,496,000. Dominari Securities, LLC acted as the sole placement agent and also received a warrant to purchase 640,000 shares of the Company's common stock at \$5.00 per share over a two-year period expiring on May 6, 2027.

On May 19, 2025, the Company issued 33,336 immediately vested restricted shares of common stock to non-employee directors of the Company. The shares of restricted stock were granted under the 2022 Equity Incentive Plan. The shares were valued at \$5.40 per share, which was the value the Company's common stock on the date of grant, respectively for a total of approximately \$180,000 to be recognized as stock compensation expense on the grant date.

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On May 19, 2025, the Company issued 4,630 immediately vested shares of common stock to a consultant of the Company related to services provided. The shares of common stock were granted under the 2022 Equity Incentive Plan. The shares were valued at \$5.40 per share, which was the value the Company's common stock on the date of grant, respectively for a total of approximately \$25,000 to be recognized as stock compensation expense on the grant date.

On May 22, 2025, the Company issued 150,000 shares of common stock related to vested restricted stock units for our advisory board members. The restricted stock units are valued at \$4.40 per share, the closing price of our common stock as of the date of the grant, for a total value of \$660,000.

On June 30, 2025, the Board of Directors of the Company awarded the Company's Chief Executive Officer 175,000 restricted shares of the Company's common stock under the 2022 Equity Incentive Plan as a bonus related to the May 2025 public offering. The restricted shares are valued at \$8.57 per share, the closing price of our common stock as of the date of the grant, for a total value of \$1,499,750 that was recognized immediately based on the vesting of the awards for each of the Company's Officers. The shares are subject to the Company's clawback policy.

On July 15, 2025, in a registered direct offering the Company sold 5,000,000 shares of common stock at \$9.70 per share resulting in gross proceeds of \$48,500,000, prior to the payment of placement fees of \$3,395,000 and \$204,000 of other offering expenses resulting in net proceeds of \$44,901,000. Dominari Securities, LLC acted as the sole placement agent and also received a warrant to purchase 350,000 shares of the Company's common stock at \$9.70 per share over a two-year period expiring on May 6, 2027.

On August 1, 2025, the Company issued 150,000 shares of common stock related to the delivery of vested restricted stock units under the 2022 Equity Incentive Plan to certain executives of the Company as a bonus related to the May 2025 public offering. The shares were valued at \$1,285,500 based on the \$8.57 based on the quoted trading price on grant date. The shares are subject to the Company's clawback policy.

On August 7, 2025, the Company issued 100,000 restricted shares of common stock to certain employees of the Company. The shares of restricted stock were granted under the Company's 2022 Equity Incentive Plan. The restricted shares issued to employees are subject to pro-rata forfeiture over a four-year period. The shares were valued at \$9.59 per share, which was the quoted trading price of the Company's common stock on the date of grant, respectively for a total of \$959,000 to be recognized as stock compensation expense pro-rata over the vesting period. Stock compensation expense of \$95,252 was recognized during the year ended December 31, 2025.

On August 19, 2025, the Company issued 9,232 immediately vested restricted shares of common stock to non-employee directors of the Company. The shares of restricted stock were granted under the 2022 Equity Incentive Plan. The shares were valued at \$9.75 per share, which was the quoted trading price the Company's common stock on the date of grant, respectively, for a total of approximately \$90,000 to be recognized as stock compensation expense on the grant date.

On August 19, 2025, the Company issued 1,727 immediately vested shares of common stock to a consultant of the Company related to services provided. The shares of common stock were granted under the 2022 Equity Incentive Plan. The shares were valued at \$9.75 per share, which was the quoted trading price the Company's common stock on the date of grant, respectively for a total of approximately \$15,000 which is recognized as stock compensation expense on the grant date and included in stock compensation expense – vested stock on the statement of stockholder's equity.

On September 2, 2025, the Company issued 280,000 restricted shares of common stock to certain employees of the Company. The shares of restricted stock were granted under the Company's 2022 Equity Incentive Plan. The restricted shares issued to employees are subject to pro-rata forfeiture over a four-year period. The shares were valued at \$9.16 per share, which was the value of the Company's common stock on the date of grant, respectively for a total of \$2,564,800 to be recognized as stock compensation expense pro-rata over the vesting period. Stock compensation expense of \$213,146 was recognized during the year ended December 31, 2025.

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On September 3, 2025, the Company issued 656,642 of common stock related to the closing of the Rotor Lab acquisition (see Note 3). The shares were valued at \$9.02 per shares which was the closing trading price of the Company's common stock on September 3, 2025, the closing date of the acquisition, resulting in an aggregate value of \$5,922,911.

On September 24, 2025, the Company issued 8,500 shares of common stock related to warrant holders exercising their warrants. The Company received gross proceeds of \$42,500 related to the warrant exercises. The Company cancelled the 8,500 warrants upon issuance of the common shares.

In September 2025, the Company issued 50,000 shares of common stock related to the vesting of certain employee restricted stock units in which the Company issued 50,000 shares of common stock related to the vesting of these restricted stock units.

In October 2025, the Company utilized its at-the-market ("ATM") equity program to sell an aggregate of 4,666,600 shares of common stock at an average price of \$15.46 per share, resulting in gross proceeds of approximately \$72.1 million and offering costs of approximately \$2.16 million.

On November 6, 2025, the Company issued 640,000 shares of common stock related to warrant holders exercising their warrants at an exercise price of \$5.00. The Company received gross proceeds of \$3.2 million related to the warrant exercises. The Company cancelled the 640,000 warrants upon issuance of the common shares.

On November 13, 2025, the Company issued 80,000 restricted shares of common stock to certain employees of the Company. The shares of restricted stock were granted under the Company's 2022 Equity Incentive Plan. The restricted shares issued to employees are subject to pro-rata forfeiture over a four-year period. The shares were valued at \$9.65 per share, which was the value of the Company's common stock on the date of grant, respectively for a total of \$772,000 to be recognized as stock compensation expense pro-rata over the vesting period.

On November 19, 2025, the Company issued 1,727 immediately vested shares of common stock to a consultant of the Company related to services provided. The shares of common stock were granted under the 2022 Equity Incentive Plan. The shares were valued at \$8.69 per share, which was the quoted trading price the Company's common stock on the date of grant, respectively for a total of \$15,008 which is recognized as stock compensation expense on the grant date and included in stock compensation expense – vested stock on the statement of stockholder's equity.

On November 20, 2025, the Company issued 500,000 shares of common stock related to the delivery of vested restricted stock units under the 2022 Equity Incentive Plan to certain executives of the Company. The shares were valued at \$3,880,000 based on the \$7.76 quoted trading price on grant date and expensed on the grant date.

On November 24, 2025, the Company issued 108,000 shares of common stock related to vested restricted stock units for our advisory board members. The restricted stock units are valued at \$8.49 per share, the closing price of our common stock as of the date of the grant, for a total value of \$916,920 and expensed on the grant date.

On December 29, 2025, the Company issued 142,299 shares of common stock to our CEO and two board members related to exercising of 164,473 warrants of the October 2024 private placement. 131,578 of these warrants were exercised on a cashless basis using the calculation as defined in the warrant agreement at a volume-weighted average price of \$11.81 and issuing a total of 109,404 shares of common stock for the cashless exercise. 32,895 of these warrants were exercised for cash proceeds of \$65,461 and issuing a total of 32,895 shares of common stock. The Company cancelled the 164,473 warrants related to these exercises upon issuance of the common stock.

On December 31, 2025, the Company issued 9,420 immediately vested restricted shares of common stock to certain non-employee directors of the Company. The shares of restricted stock were granted under the 2022 Equity Incentive Plan. The shares were valued at \$12.74 per share, which was the quoted trading price the Company's common stock on the date of grant, respectively, for a total of approximately \$120,000 to be recognized as stock compensation expense on the grant date.

During the year ended December 31, 2025, several employees of the Company exercised 162,816 of their vested stock options in which the Company issued 162,816 shares of common stock related to these exercises. The Company received total cash proceeds of \$646,572 related to the exercise of the stock options.

#### 2024 Transactions

On January 2, 2024, the Company issued 16,086 shares of common stock to its prior Chief Executive Officer as a part of a separation agreement and recognized compensation expense of \$64,344 or \$4 per share, the value of the IPO in February 2024.

On February 16, 2024 the Company completed its IPO and issued 1,250,000 shares of common stock at the IPO Price for total net proceeds of \$3,849,555. The Company incurred \$510,000 direct deduction from proceeds, \$127,687 in cash disbursements related to offering costs and \$512,758 in prior year paid and deferred offering costs as of December 31, 2023 for a total of \$1,150,445 offering costs, associated with the IPO which consisted of underwriter, legal, accounting, and other associated filing fees. These costs have been recorded as a reduction of the gross proceeds from the IPO in stockholder's equity. The 62,500 of representative warrants are exercisable for common stock at a price of \$5.00 per share (125% of the IPO Price) at any time beginning on August 15, 2024 through and including February 16, 2029, the expiration date.

Simultaneously with its IPO and as a part of the Purchase Agreement as discussed in Note 3, the Company issued Red Cat 4,250,000 shares of common stock as consideration of the business combination. These were subsequently exchanged into 4,250 Series A preferred shares as discussed above. As agreed in the Purchase Agreement, \$17.0 million of the purchase price would be issued in common stock based on the IPO price of \$4.00 per share.

During 2024, the Company issued 950,000 shares of common stock related to certain shareholders converting 190 Series B shares into common stock.

On April 30, 2024, the Company issued 937,249 restricted shares of common stock to executive officers and board members of the Company. The shares of restricted stock were granted under the Company's 2022 Equity Incentive Plan. The restricted shares issued to executive officers are subject to pro rata forfeiture through February 14, 2025.

On May 2, 2024, the Company issued an additional 40,650 of restricted shares of common stock to Allan Evans, the Company's CEO related to an agreed upon reduction of compensation. The shares of restricted stock were granted under the Company's 2022 Equity Incentive Plan (the "Plan").

The April 30, 2024 and May 2, 2024 shares were valued at \$1.20 and \$1.23 per share, respectively for a total of \$1,174,698 to be recognized pro-rata over the vesting period through February 14, 2025 which is the forfeiture period. Stock compensation expense of \$1,009,218 was recognized during the year ended December 31, 2024. Unrecognized stock compensation expense related to these shares is \$165,480 as of December 31, 2024.

On July 22, 2024, Red Cat sold all of its securities in the Company to two accredited investors in a private transaction. As part of the transaction, Red Cat entered into an Exchange Agreement with the Company pursuant to which Red Cat exchanged 4,250,000 shares of the Company's common stock for 4,250 shares of the Company's Series A. There was no gain or loss on this exchange as both the common and preferred shares were determined to have the same fair value as of the exchange date.

On July 30, 2024, the Company issued 23,743 immediately vested restricted shares of common stock to non-employee directors of the Company. The shares of restricted stock were granted under the Plan. The shares were valued at \$1.79 per share, which was the value of the Company's common stock on the date of grant, respectively for a total of \$42,500 to be recognized as stock compensation expense during the year ended December 31, 2024.

On October 22, 2024, the Company issued 29,313 immediately vested restricted shares of common stock to non-employee directors of the Company. The shares of restricted stock were granted under the Plan. The shares were valued at \$1.45 per share, which was the value the Company's common stock on the date of grant, respectively for a total of \$42,500 to be recognized as stock compensation expense during the year ended December 31, 2024.

On October 29, 2024 (the "Closing Date"), the Company entered into Securities Purchase Agreements (the "SPA") with accredited investors (each, an "Investor" and together the "Investors") for a private placement offering ("Private Placement"), for aggregate gross proceeds of \$1.95 million before deducting fees to the placement agent and other expenses payable by the Company in connection with the Private Placement. The Company intends to use the net proceeds of approximately \$1.8 million of the Private Placement for working capital and general corporate purposes. As part of the Private Placement, the Company issued an aggregate of 1,286,184 units at a per unit purchase price of \$1.52 per unit. Each unit consists of one share of common stock, par value \$0.01 per share (the "Common Stock") and one warrant to purchase one share of the Company's Common Stock at an exercise price of \$1.99 per share (each an "Investor Warrant") and collectively, the Investor Warrants"). The Investor Warrants have a term of five and a half years from the Closing Date and may not be exercised for 180 days after the Closing Date and are exercisable at \$1.99 per share, subject to certain limitations and adjustments set forth in the Investor Warrants. Allan Evans, the Company's Chief Executive Officer and Sanford Rich and Robert Lowry, each a member of the Company's board of directors (and the three combined, the "Insiders"), invested an aggregate of \$250,000 in the Private Placement on identical terms to the other Investors. Subsequently and in order to comply with New York Stock Exchange American rules, the Insiders were required to pay an additional \$92,105 to the Company related to the greater of book or market value for the warrants.

On November 5, 2024, the Board of Directors of the Company awarded each of the Company's Chief Executive Officer, Chief Financial Officer and Chief Operation Officer 50,000 restricted shares of the Company's Common Stock under the Plan as bonuses related to the Private Placement. The restricted shares are valued at \$1.96 per share, the closing price of our common stock as of the date of the grant, for a total value of \$98,000 that was recognized immediately based on the vesting of the awards for each of the Company's Officers. The bonuses are subject to the Company's clawback Policy.

On November 22, 2024, the Company issued 150,000 shares of common stock related to vested restricted stock units for our advisory board members. The restricted stock units are valued at \$4.40 per share, the closing price of our common stock as of the date of the grant, for a total value of \$660,000.

In November and December 2024, the Company issued 4,250,000 shares of common stock related to the Investors holding the Series A preferred stock and converted their 4,250 shares of Series A into common stock.

In November and December 2024, the Company issued 684,000 shares of common stock related to warrant holders exercising their warrants. The Company received gross proceeds of \$1,523,700 related to the warrant exercises. The Company cancelled the 684,000 warrants upon issuance of the common shares.

On December 3, 2024, the Company issued 1,507,538 shares of common stock related to the Investors exercising their conversion option of the convertible note payable. As a part of the conversion, the Company cancelled the August Notes as discussed in Note 9 – Promissory and Convertible Notes. See Note 9 – Promissory and Convertible Notes for additional information related to the conversion.

In December 2024, the Company issued 630,000 shares of common stock related to the Investors holding the Series C preferred stock and converted their 210 shares of Series C into common stock.

#### **Note 12 – Share Based Awards**

The Company's Board of Directors has delegated authority to the Chief Executive Officer to grant stock options. Any issuance of restricted stock awards or restricted stock units must be approved by the Company's compensation committee. Stock options are granted for employees on a monthly to quarterly basis. Restricted stock awards and restricted stock units are granted on a quarterly basis. All stock awards which have been granted to individuals who do not have possession of material non-public information at the time of grant.

#### Stock Options

The 2022 Equity Incentive Plan (the "Plan") allows the Company to incentivize key employees and directors with long term compensation awards such as stock options, restricted stock, and other similar types of awards. The Plan is authorized to issue up to 15% of the outstanding shares on a fully diluted basis giving effect to the exercise and conversion of all outstanding common stock equivalents issued outside of the Plan. In addition, the Plan has an "evergreen" provision, pursuant to which the number of shares of common stock reserved for issuance pursuant to awards under such plan shall be increased on the first day of each year beginning in 2025 and ending in 2032 equal to the lesser of (a) five percent (5%) of the shares of stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (b) such smaller number of shares of stock as determined by our board of directors. The Plan allows for awards to be issued up to a contractual maximum term of 10 years from the grant date. As of December 31, 2025, the Plan is authorized to issue up to 5,934,715 of awards.

During the year ended December 31, 2025 and 2024, the Company's board of directors approved the grant of 627,500 and 330,000, respectively of stock options under the Plan to certain employees. The stock options are subject to certain vesting provisions. Standard vesting on stock options have a six month cliff vesting and quarterly from over four years, however, certain stock options may have immediate vesting or shorter periods as approved. Stock options contractual term range from 5 to 10 years.

The following table presents the activity for stock options outstanding:

	Non-Qualified Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding - December 31, 2023	–	\$ –	–	–
Granted	330,000	1.24	9.34	–
Forfeited/canceled	–	–	–	–
Exercised	–	–	–	–
Outstanding - December 31, 2024	330,000	\$ 1.24	9.34	–
Granted	627,500	8.34	–	–
Forfeited/canceled	(55,000)	2.81	–	–
Exercised	(162,816)	3.97	–	\$ 782,172
Outstanding – December 31, 2025	739,684	\$ 6.50	6.25	\$ 4,555,172
Exercisable – December 31, 2025	77,600	\$ 2.28	8.59	\$ 811,459

The range of assumptions used to calculate the fair value of options granted during the year ended December 31 was:

	2025	2024
Exercise Price	\$ 5.08 – 9.65	\$ 1.20 – 1.79
Stock Price on date of grant	\$ 5.08 – 9.65	\$ 1.20 – 1.79
Risk-free interest rate	3.58- 4.10%	4.080- 4.71%
Dividend yield	–	–
Expected term (years)	3.17 - 6.11	6.11
Volatility	107.44 – 132.35%	129.45 – 143.46%

The total value of stock options granted was \$3,849,430 and \$373,160 during the years ended December 31, 2025 and 2024, respectively. The Company recognized \$927,643 and \$60,924 in stock-based compensation expense related to stock options during the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025, there was \$3,110,863 of unrecognized stock-based compensation expense related to unvested stock options to be recognized over the remaining vesting term through 2029.

#### Restricted Stock

Restricted stock awards are equity grants in which the Company issues restricted common stock awards as of the grant date and are subject to certain vesting and clawback provision. Restricted stock units are equity grants in which the Company issues a restricted stock unit subject to vesting requirements and common stock is not issued until the vesting requirements have been met. The following table presents the activity for restricted stock awards and restricted stock units outstanding:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value - RSA	Restricted Stock Units	Weighted Average Grant Date Fair Value - RSU
Unvested - December 31, 2023	–	\$ –	–	\$ –
Granted	1,180,955	1.32	300,000	4.40
Forfeited/canceled	–	–	–	–
Vested	(953,232)	1.34	(150,000)	4.40
Unvested - December 31, 2024	227,723	\$ 1.20	150,000	\$ 4.40
Granted	1,678,430	9.49	308,000	9.10
Forfeited/canceled	–	–	–	–
Vested	(1,381,153)	5.14	(458,000)	7.56
Unvested – December 31, 2025	525,000	\$ 9.67	–	\$ –

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The total value of restricted stock and restricted stock units was \$18,725,539 and \$2,875,364 granted during the years ended December 31, 2025 and 2024, respectively. The Company recognized \$14,692,285 and \$2,194,938 in stock-based compensation expense related to restricted stock and restricted stock units during the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025, there was \$4,713,679 of unrecognized stock-based compensation expense related to unvested restricted stock to be recognized over the remaining vesting term through 2029.

#### Warrants

The following table presents the activity for warrants outstanding as of December 31, 2025:

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding - December 31, 2023	–	\$ –
Granted	2,081,579	2.08
Forfeited/cancelled/restored	–	–
Exercised	(684,000)	2.23
Outstanding - December 31, 2024	1,397,579	\$ 2.01
Granted	990,000	6.66
Forfeited/cancelled/restored	–	–
Exercised	(2,037,579)	2.95
Outstanding – December 31, 2025	350,000	\$ 9.70

As discussed in Note 11, "Earnings Per Share and Stockholders' Equity", in connection with the IPO in 2024, the Company issued 62,500 representative warrants to its underwriters to purchase shares of common stock. The representative warrants have an exercise price of \$5.00 or can be exercised through a cashless exercise feature. The warrant holders exercised 54,000 warrants during the year ended December 31, 2024.

As discussed in Note 9, "Promissory and Convertible Notes", in connection with the exchange of the \$1,000,000 of the Note Payable balance in 2024, the Company issued 630,000 warrants to the Investors to purchase shares of common stock. The warrants have an exercise price of \$1.99. These 630,000 warrants were subsequently exercised (see Notes 10 and 11).

As Discussed in Note 11, "Earnings Per Share and Stockholders' Equity", in connection with the Private Placement in 2024, the Company issued 1,286,184 warrants and an additional 102,895 warrants to the underwriter related to the Private Placement for a total of 1,389,079 warrants. The warrants have an exercise price of \$1.99.

As Discussed in Note 11, "Earnings Per Share and Stockholders' Equity", in connection with the May 2025 public offering and July 2025 registered direct offering, the Company issued 990,000 warrants to the underwriter. The warrants have an average exercise price of \$6.66.

All warrants outstanding have a weighted average remaining contractual life of approximately 1.54 years as of December 31, 2025. The aggregate intrinsic value of the warrants at December 31, 2025 is \$1,064,000.

**Note 13 – Related Party Transactions**

In November 2022, the Company entered into the Purchase Agreement, as amended with Red Cat and Jeffrey Thompson, the Company's former Chief Executive Officer and President and current director and also the current Chief Executive Officer of Red Cat, pursuant to which, among other things, Mr. Thompson and the Company have agreed to indemnification obligations, which shall survive for a period of nine months from February 16, 2024, subject to certain limitations, which includes a basket of \$250,000 before any claim can be asserted and a cap equal to the value of 100,000 shares of our common stock owned by him to secure any indemnification obligations, which stock is our sole remedy, except for fraud. Our prior Chief Executive Officer, Mr. Brandon Torres Declet, negotiated the terms of the Purchase Agreement on an arms' length basis with Joe Freedman who was the head of Red Cat's Special Committee. The transaction was ultimately approved by the Company's and Red Cat's board of directors. On March 8, 2023, a majority of the disinterested Red Cat shareholders approved the transactions contemplated in the Purchase Agreement in a special meeting. Mr. Thompson recused himself from such vote.

In February 2024, the Company completed the acquisitions to purchase Fat Shark and Rotor Riot from Red Cat. Jeffrey Thompson is the founder and current Chief Executive Officer of Red Cat. Mr. Thompson is also the founder, prior Chief Executive Officer and current member on the Board of Directors of Unusual Machines. Prior to the acquisition, Mr. Thompson held 328,500 shares of common stock in Unusual Machines, which represented approximately 10% prior to the acquisition and IPO.

On April 30, 2024 ("Grant Date"), the Company's board of directors approved the Company entering into a two-year Management Services Agreement (the "Agreement") with 8 Consulting LLC (the "Consultant") for the services of our Chief Executive Officer, Dr. Allan Evans, whereby the Consultant agreed to cause Dr. Evans to perform his services as the Company's Chief Executive Officer and the Consultant will be compensated on behalf of Dr. Evans by the Company in connection with his performance of such services. The Agreement allows Dr. Evans to receive favorable tax benefits as a resident of the Commonwealth of Puerto Rico who will perform such services in Puerto Rico. Pursuant to the Agreement, Dr. Evans will perform the duties and responsibilities that are customary for a chief executive officer of a public company that either have revenues similar to the Company on a pro forma basis as reflected in the Prospectus filed with the SEC on February 15, 2024, or if pre-revenues, are an active and on-going business that are performing pre-revenue activities. The Consultant agreed to cause Dr. Evans, as Chief Executive Officer, (i) to undertake primary responsibility for managing all aspects of the Company and overseeing the preparation of all reports, registration statements and other filings required filed by the Company with the SEC and executing the certifications required the Sarbanes Oxley Act of 2002 and the rules of the SEC as the principal executive officer of the Company; (ii) attend investor meetings and road shows in connection with the Company's fundraising and investor relations activities; (iii) to report to the Company's board of directors; (iv) to perform services for such subsidiaries of the Company as may be necessary.

The Consultant receives a \$250,000 fee per year payable in monthly installments. On September 30, 2025, the Company amended the agreement increasing the Consultant's annual fee to \$300,000. In addition, the Consultant was granted 488,000 fully vested shares of restricted common stock. The fair value of the shares was \$585,600 based on the \$1.20 quoted trading price on the Grant Date and will be recognized over the service period (see below). The grant of restricted common stock was made under the Company's 2022 Equity Incentive Plan. The shares of restricted common stock are subject to pro rata forfeiture from February 14, 2024 until February 14, 2025, in the event that Dr. Evans is terminated or ends his services to the Company for any reason other than death or disability, as defined in the Internal Revenue Code. The Company and Dr. Evans previously entered into an Offer Letter dated November 27, 2023, under which he would serve as the Company's Chief Executive Officer effective as of December 4, 2023. The Agreement terminates and replaces the Offer Letter dated November 27, 2023.

In October 2024, in relation to the Private Placement as described in more detail in Note 11, "Earnings Per Share and Stockholders' Equity", the Company's CEO and two directors (combined "Insiders") invested \$250,000 in the Private Placement on identical terms to the other Investors. In addition, the Insiders were required to pay an additional \$92,105 to the Company related to the greater of book or market value for the warrants.

In November 2024, the Company entered into and received a purchase order with Teal Drones, Inc. a wholly owned subsidiary of Red Cat to provide goods and services to a customer in which Teal Drones is a prime contractor and the Company is a subcontractor. Red Cat is a related party as Jeff Thompson is the Chief Executive Officer of Red Cat and is also on the Board of Directors of Unusual Machines. The Company recognized \$95,000 and \$155,000 in revenue related to the related party contract for the years ended December 31, 2025 and 2024, respectively. The total value of the contract between Unusual Machines and Red Cat is \$250,000.

In May 2025, in relation to the confidentially marketed public offering as described in more detail in Note 10, "Earnings Per Share and Stockholders' Equity", the Company's CEO and three directors invested \$420,000 in the offering on identical terms to the other Investors and received a total of 80,000 shares of common stock.

In October 2025, the Company received a \$0.8 million order from Teal Drones, which is a subsidiary of Red Cat. Red Cat is a related party as Jeff Thompson is the Chief Executive Officer of Red Cat and is also on the Board of Directors of Unusual Machines. The Company recognized approximately \$0.2 million in revenue for the year ended December 31, 2025. The Company had related party receivables of \$0.2 million as of December 31, 2025. The order includes several different drone components manufactured and sourced from the Company.

On December 29, 2025, the Company issued 142,299 shares of common stock to our CEO and two board members related to exercising of 164,473 warrants of the October 2024 private placement. 131,578 of these warrants were exercised on a cashless basis using the calculation as defined in the warrant agreement at a volume-weighted average price of \$11.81 and issuing a total of 109,404 shares of common stock for the cashless exercise. 32,895 of these warrants were exercised for cash proceeds of \$65,461 and issuing a total of 32,895 shares of common stock.

On December 31, 2025, the Company paid \$43,474 to its investment committee, which includes the CEO and two independent Directors of the Company. The payment is based on a 1% per committee member based on the realized gains during the previous quarter.

In January 2026, the Company received a \$2.1 million order from Teal Drones, which is a subsidiary of Red Cat. Red Cat is a related party as Jeff Thompson is the Chief Executive Officer of Red Cat and is also on the Board of Directors of Unusual Machines. The order is expected to be delivered in the first half of 2026 and includes several different drone components manufactured and sourced from the Company.

**Note 14 – Income Taxes**

The components of income (loss) before income tax expense (benefit) consist of the following as of December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
US	\$ (19,149,289)	\$ (31,150,444)
Foreign	(80,580)	(843,384)
	\$ (19,229,869)	\$ (31,993,828)

Pretax income (loss) from operations

The components of income tax expense (benefit) as of December 31, 2025 and 2024 are:

	December 31, 2025	December 31, 2024
Current:		
Federal	\$ —	\$ —
Foreign	—	—
State and local	—	—
Current income tax expense (benefit)	—	—
Deferred:		
Federal	(828)	(11,069)
Foreign	(39,458)	—
State and local	4,034	(2,290)
Deferred income tax expense (benefit)	(36,252)	(13,360)
Total income tax expense (benefit)	\$ (36,252)	\$ (13,360)

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Significant components of the Company's deferred tax assets and liabilities as of December 31, 2025 and 2024 are:

	December 31, 2025	December 31, 2024
Deferred tax assets:		
Net operating losses and credit carryforwards	\$ 6,860,442	\$ 3,268,472
Stock compensation	266,916	54,821
Inventory	—	248,599
Accruals and reserves	13,685	7,336
Deferred interest carryforward	—	24,669
Lease liability	654,327	83,636
Other	16,083	—
Total deferred tax assets	7,811,453	3,687,532
Deferred tax liabilities:		
Intangible assets	(653,892)	(564,061)
Property and equipment	(197,750)	—
Right of use asset	(648,451)	(81,995)
Other	(10,216)	74
Valuation allowance	(5,815,224)	(3,135,343)
Deferred income tax expense (benefit)	(7,958,225)	(3,781,325)
Net deferred tax liability	\$ (146,772)	\$ (93,793)

A reconciliation of the provision for income taxes to the amount computed by applying the 21% statutory U.S. federal income tax rate to income before income taxes after the adoption of ASU 2023-09 is as follows:

	December 31, 2025		December 31, 2024	
U.S. federal statutory tax rate	21.0%	\$ (4,038,272)	21.0%	\$ (6,718,704)
State and local income taxes, net of federal income tax effect	(0.02)%	4,033	0.1%	(305,016)
Foreign tax effects:				
Other foreign jurisdictions	0.06%	(11,838)	(0.2)%	57,730
Effect of changes in tax laws or rates enacted in the current period	0.00%	—	0.00%	—
Effect of cross-border tax laws:				
U.S. taxation of foreign earnings	0.00%	—	0.00%	—
Tax credits:				
Research and development credits	0.00%	—	0.00%	—
Changes in valuation allowance	(11.38)%	2,187,556	(4.4)%	1,708,109
Nontaxable or nondeductible items:				
162m limitation	(10.09)%	1,940,642	0.00%	—
Other	0.40%	(76,147)	(16.4)%	5,244,520
Changes in unrecognized tax benefits	0.00%	—	0.00%	—
Other	0.22%	(42,226)	0.00%	—
Effective rate	0.19%	\$ (36,252)	0.0%	\$ (13,360)

The Company adopted ASU 2023-09 on a prospective basis for the year ended December 31, 2025 and have included the following table as a result of the adoption, which presents income taxes paid (net of refunds received) for the year ended December 31, 2025:

	<b>December 31, 2025</b>
U.S. federal	\$ —
U.S. state and local	—
Foreign	—
Total	<u>\$ —</u>

As of December 31, 2025, the Company has U.S. federal and state net operating loss carryforwards of approximately \$23.5 million and foreign net operating loss carryforwards of approximately \$4.9 million of which \$4.6 million will never be utilized. The U.S. federal net losses can be carried forward indefinitely and are generally deductible against 80% of taxable income on an annual basis.

In assessing the realizability of deferred tax assets, a determination is made as to whether it is more likely than not that some portion or all the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company has provided a full valuation allowance on its federal, foreign, and state deferred tax assets.

The Company is subject to income taxes in the United States; Puerto Rico; and various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is not currently under examination by any taxing authorities. The 2022 through 2025 tax years are open to examination by the tax authorities.

ASC 740 provides detailed guidance for the consolidated financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the consolidated financial statements. Tax positions must meet a more-likely-than-not recognition threshold before a benefit is recognized in the consolidated financial statements. As of December 31, 2025, the Company has no uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense in the accompanying consolidated statements of operations. No interest and penalties related to uncertain tax positions were accrued as of December 31, 2025 associated with uncertain tax positions.

#### **Note 15 – Commitments and Contingencies**

As part of the business combination that occurred on February 14, 2024, the Company acquired a five-year operating lease for approximately 6,900 square feet of warehouse and office space in Orlando, Florida. The lease commenced in November 2023 and expires in October 2028. See Note 7 – Operating Leases for additional information.

On June 4, 2025, the Company entered into a five-year operating lease agreement for approximately 17,000 square feet of space for the Company's drone motor manufacturing facility in Orlando, Florida. The lease commenced on August 1, 2025 and expires in August 2030. See Note 7 – Operating Leases for additional information.

As a part of the business combination that occurred on September 3, 2025 with Rotor Lab, the Company acquired a three-year operating lease of warehouse and office space in Canberra Australia. The lease commenced in May 2024 and expires in April 2027. See Note 7 – Operating Leases for additional information.

On October 30, 2025, the Company entered into a five-year operating lease agreement for an additional 25,000 square feet of warehouse/office space in Orlando, FL. The lease commencement date is December 1, 2025 and expires in December 2030.

On December 10, 2025, the Company entered into a three-year operating lease agreement for an additional 9,125 square feet of space in Orlando, FL. This space will be used as the Company's corporate headquarters. The lease will commence on February 1, 2026 and expires in February 2029.

On December 15, 2025, the Company entered into a three-year operating lease agreement for an additional 4,500 square feet of space in Orlando, FL. This space will be used for headset production. The lease commenced on January 1, 2026 and expires in December 2028.

#### **Note 16 – Subsequent Events**

##### Warrants Exercise

On January 9, 2026, warrant holders exercised 350,000 warrants at \$9.70 per warrant in connection with the July 2025 registered direct offering and the Company issued 350,000 shares of common stock. The Company received cash proceeds of approximately \$3.4 million in relation to the exercise.

##### Equity Grants to Executive Officers

On January 23, 2026, the Company issued the Company's executive officers listed in the table below shares of restricted common stock. The shares of restricted common stock vest in equal quarterly increments over a one-year period, with the first quarter vesting on March 15, 2026. The shares of restricted common stock were granted under the Company's 2022 Equity Incentive Plan, as amended, and are subject to each officer executing the Company's standard Restricted Stock Agreement.

<b>Officer</b>	<b>Amount of Restricted Common Stock</b>
Allan Evans (1)	220,000
Brian Hoff	110,000
Andrew Camden	110,000
Stacy Wright	110,000

(1) Shares issued to 8 Consulting LLC, an entity of which Dr. Allan Evans, the Company's Chief Executive Officer, is the sole owner with voting and dispositive power.

##### Equity Grants to Employees & Consultants

In January 2026, the Company issued certain employees shares of restricted common stock and stock options. The Company issued a total of 190,000 shares of restricted common stock and 90,000 stock options to employees. All shares and options vest in quarterly installments over a four-year period starting from the grant date.

In January 2026, the Company issued a consultant 40,000 shares of restricted common stock that vest in monthly installments over a two-year period starting from the grant date.

### Leases

On December 10, 2025, the Company entered into a three-year operating lease agreement for an additional 9,125 square feet of space in Orlando, FL. This space will be used as the Company's corporate headquarters. The lease will commence on February 1, 2026 and expires in February 2029.

On December 15, 2025, the Company entered into a three-year operating lease agreement for an additional 4,500 square feet of space in Orlando, FL. This space will be used for headset production. The lease commenced on January 1, 2026 and expires in December 2028.

## **Item 9. Changes and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of December 31, 2025.

The term "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) means controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in reports, such as this report, that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2025.

### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting based on the parameters set forth above and has concluded that as of December 31, 2025, our internal control over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

### **Changes In Controls Over Financial Reporting**

During the quarter ended December 31, 2025, the Company continued to strengthen its internal controls including the implementation of advanced inventory modules within NetSuite for its financial and transactional reporting. In addition, the Company has successfully hired additional staff within the accounting, finance, and human resource functions and the Company has updated their process documentation for financial reporting. These changes and documentation of our internal controls have remediated the previously disclosed material weaknesses in internal controls which includes sufficient segregation of duties within accounting functions and having written documentation of our internal control policies and procedures.

Other than as discussed above, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **Item 9B. Other Information.**

During the fourth quarter ended December 31, 2025, none of our directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1

trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Item 408 of Regulation S-K, as described in the table below:

Name and Title	Action	Applicable Date	Duration of Trade Arrangements	10b5-1 Trading Arrangement? (Y/N)*	Aggregate Number of Securities Subject to Trading Arrangement
Dr. Allan Evans Chief Executive Officer and Director	Adopt	December 15, 2025	March 2026 through December 2026	Y	Up to 16,500 shares of Common Stock from March vesting for tax purposes
Dr. Allan Evans Chief Executive Officer and Director	Adopt	December 15, 2025	May 2026 through December 2026	Y	Up to 16,500 shares of Common Stock from May vesting for tax purposes
Dr. Allan Evans Chief Executive Officer and Director	Adopt	December 15, 2025	August 2026 through December 2026	Y	Up to 16,500 shares of Common Stock from August vesting for tax purposes
Dr. Allan Evans Chief Executive Officer and Director	Adopt	December 15, 2025	November 2026 through December 2026	Y	Up to 16,500 shares of Common Stock from November vesting for tax purposes
Brian Hoff Chief Financial Officer	Adopt	December 15, 2025	March 2026 through December 2026	Y	Up to 11,413 shares of Common Stock from March vesting for tax purposes
Brian Hoff Chief Financial Officer	Adopt	December 15, 2025	May 2026 through December 2026	Y	Up to 11,413 shares of Common Stock from May vesting for tax purposes
Brian Hoff Chief Financial Officer	Adopt	December 15, 2025	August 2026 through December 2026	Y	Up to 11,413 shares of Common Stock from August vesting for tax purposes
Brian Hoff Chief Financial Officer	Adopt	December 15, 2025	November 2026 through December 2026	Y	Up to 11,413 shares of Common Stock from November vesting for tax purposes

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Andrew Camden Chief Operating Officer	Adopt	December 15, 2025	March 2026 through December 2026	Y	Up to 9,625 shares of Common Stock from March vesting for tax purposes
Andrew Camden Chief Operating Officer	Adopt	December 15, 2025	May 2026 through December 2026	Y	Up to 9,625 shares of Common Stock from May vesting for tax purposes
Andrew Camden Chief Operating Officer	Adopt	December 15, 2025	August 2026 through December 2026	Y	Up to 9,625 shares of Common Stock from August vesting for tax purposes
Andrew Camden Chief Operating Officer	Adopt	December 15, 2025	November 2026 through December 2026	Y	Up to 9,625 shares of Common Stock from November vesting for tax purposes
Cristina Colon Board of Director	Adopt	December 15, 2025	March 2026 through December 2026	Y	Up to 35% of shares of Common Stock from March grant for tax purposes
Cristina Colon Board of Director	Adopt	December 15, 2025	May 2026 through December 2026	Y	Up to 35% of shares of Common Stock from May grant for tax purposes
Cristina Colon Board of Director	Adopt	December 15, 2025	August 2026 through December 2026	Y	Up to 35% of shares of Common Stock from August grant for tax purposes
Cristina Colon Board of Director	Adopt	December 15, 2025	November 2026 through December 2026	Y	Up to 35% of shares of Common Stock from November grant for tax purposes
Sanford Rich Board of Director	Adopt	December 15, 2025	March 2026 through December 2026	Y	Up to 50% of shares of Common Stock from March grant for tax purposes
Sanford Rich Board of Director	Adopt	December 15, 2025	May 2026 through December 2026	Y	Up to 50% of shares of Common Stock from May grant for tax purposes
Sanford Rich Board of Director	Adopt	December 15, 2025	August 2026 through December 2026	Y	Up to 50% of shares of Common Stock from August grant for tax purposes
Sanford Rich Board of Director	Adopt	December 15, 2025	November 2026 through December 2026	Y	Up to 50% of shares of Common Stock from November grant for tax purposes
Stacy Wright Chief Revenue Officer (effective Jan 1, 2026)	Adopt	December 15, 2025	March 2026 through December 2026	Y	Up to 13,750 shares of Common Stock from March vesting for tax purposes
Stacy Wright Chief Revenue Officer (effective Jan 1, 2026)	Adopt	December 15, 2025	May 2026 through December 2026	Y	Up to 13,750 shares of Common Stock from May vesting for tax purposes
Stacy Wright Chief Revenue Officer (effective Jan 1, 2026)	Adopt	December 15, 2025	August 2026 through December 2026	Y	Up to 13,750 shares of Common Stock from August vesting for tax purposes
Stacy Wright Chief Revenue Officer (effective Jan 1, 2026)	Adopt	December 15, 2025	November 2026 through December 2026	Y	Up to 13,750 shares of Common Stock from November vesting for tax purposes

\*Denotes whether the trading plan is intended, when adopted, to satisfy the affirmative defense of Rule 10b5-1(c).

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

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**Item 10. Directors, Executive Officers, and Corporate Governance**

The following table sets forth information regarding our current directors and executive officers:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Dr. Allan Evans	42	Chief Executive Officer and Director
Brian Hoff	40	Chief Financial Officer
Andrew Camden	35	President and Chief Operating Officer
Robert Lowry	67	Director
Sanford Rich	68	Director
Jeffrey Thompson	61	Director
Cristina A. Colón, Esq.	38	Director

***Dr. Allan Evans, Chief Executive Officer and Chairman of the Board of Directors***

Dr. Allan Evans was appointed to serve as the Chief Executive Officer and a director of the Company effective December 4, 2023. Prior to becoming our Chief Executive Officer, Dr. Evans was the Chief Operating Officer of Red Cat from January 2021 to November 2023 and was the Chief Executive Officer of Fat Shark. Dr. Evans is a serial entrepreneur with a history of founding and leading technological innovation. He has extensive experience in overseeing different emerging technologies. From August 2017 to October 2020, Dr. Evans served as a board member for Ballast Technologies, a company that specialized in technology for location-based entertainment. In November 2012, he co-founded Avegant, a technology company focused on developing next generation display technology to enable previously impossible augmented reality experiences. He led design, development, and initial production of the Glyph head mounted display and oversaw technology research and patent strategy while serving as Chief Technology Officer of Avegant until 2016. Dr. Evans has 47 pending or issued patents that cover a range of technologies from implantable medical devices to mixed reality headsets. Academically, his work has an h-index of 15, an i-index of 28, and has been cited in more than 1,000 publications. He has extensive experience with new technologies, engineering, business development, and corporate strategy, and his expertise in these areas strengthens the Company's collective knowledge and capabilities. Dr. Evans has also served as a director of DataCentrix, Inc. (Nasdaq: DTCX) since December 15, 2025.

Dr. Evans' management and public company experience, his experience in the drone business and his role as Chief Executive Officer of the Company, led to his appointment as a director.

***Brian Hoff, Chief Financial Officer***

Mr. Hoff has served as the Company's Chief Financial Officer since November 2022. Prior to that, he served as the Chief Financial Officer of Auddia, Inc. (Nasdaq: AUUD), a technology company focused on audio media, from April 2021 to October 2022. He served as Vice President and Controller at STACK Infrastructure, a digital infrastructure company, from October 2019 to April 2021, and as Controller at Coalfire, a cybersecurity company, from November 2011 until October 2019.

***Andrew Camden, President and Chief Operation Officer***

Mr. Camden, has been our President since January 23, 2026. As President, under our Bylaws he acts as the Chief Operating Officer. Prior to his promotion, Mr. Camden our Chief Operating Officer on March 4, 2024. He was President of Rotor Riot from 2018 through March 4, 2025. Prior to that, he worked for four years as an Engineer for General Motors. As President of Unusual Machines, Mr. Camden is responsible for operational execution, manufacturing, and supply chain across the Company's U.S.-based production footprint. He joined Rotor Riot in 2017 and has played a key role in building the operations that became Unusual Machines, supporting the transition from product development into scaled domestic manufacturing of drone components. Prior to entering the drone industry, Camden spent four years in engineering roles at General Motors, where he gained experience in manufacturing operations and supply chain management.

***Stacy Wright, Chief Revenue Officer***

Stacy Wright has been our Chief Revenue Officer since January 1, 2026. Previously she was our Executive Vice President of Revenue from July 2025 through December 2025, President of Rotor Riot from March 4, 2024 and Vice President of Rotor Riot from November 2020 through March 4, 2024.

***Cristina A. Colón, Esq., Director***

Ms. Colón has served as a director of the Company since August 2022. Ms. Colón has been the owner of Cinnarc & Associates LLC, a public housing consulting firm, since 2018 and has served as its President since August 2021. Ms. Colón has also been the owner/operator Café de La Plaza, a restaurant located in Palmas del Mar, Puerto Rico, since 2009. From 2019 to 2021, Ms. Colón served as an investor relations specialist at OptimizeRX, a medical technology company. Ms. Colón's experience as an entrepreneur and her marketing and investor relations experience led to her appointment as a director. Ms. Colón is also a lawyer in Florida and Washington, D.C.

***Robert Lowry, Director***

Mr. Lowry has served as a director of the Company since August 2022. Mr. Lowry has been the owner of Sebring Assisted Living Facility since 1998, and the owner of Homestead Assisted Living Facility since 2007. Mr. Lowry's experience as a business entrepreneur and his experience in operational finance led to his appointment as a director.

***Sanford Rich, Director***

Mr. Rich serves as director and Audit Committee member of the Company since January 31, 2024. Since March 2012, Mr. Rich has served as a director of Aspen Group, Inc. and since November 29, 2019, as Audit Committee Chairman. From August 2, 2017 to June 23, 2019, Aspen Group, Inc. had its common stock listed on the Nasdaq Capital Market and from June 24, 2019 to March 23, 2023, Aspen Group, Inc. had its common stock listed on Nasdaq Global Market, after which it voluntarily withdrew to focus on its core business and save money. Since January 2016, Mr. Rich has served as the Executive Director of the New York City Board of Education Retirement System. Mr. Rich also serves as a member of the Investor Advisory Group of the PCAOB for a term from June 1, 2022 to December 31, 2028. From November 2012 to January 2016, Mr. Rich served as the Chief of Negotiations and Restructuring for the Pension Benefit Guaranty Corporation (a United States Government Agency). Mr. Rich was selected as a director for his 40 years of experience in the financial sector and his experience serving on the audit committees of public companies.

**Jeffrey Thompson, Director**

Mr. Thompson has served as a director of the Company since inception in 2019. He served as the Company's principal executive officer from inception until April 2022. Mr. Thompson has been President and Chief Executive Officer of Red Cat since May 15, 2019. In 2016, Mr. Thompson founded Red Cat Propware Inc., a provider of cloud-based analytics, storage, and services for drone aircraft, and served as its Chief Executive Officer until May 15, 2019 when it was acquired by Red Cat. Mr. Thompson's management and public company experience, his experience in the drone business and his role as President and Chief Executive Officer of Red Cat, led to his appointment as a director.

**Composition of our Board of Directors**

Our Board of Directors currently consists of five members. Our directors hold office until their successors have been elected and qualified or until the earlier of their death, resignation or removal. There are no family relationships among any of our directors or executive officers.

**Director Independence**

Our Board has determined that all of our present directors are independent, in accordance with standards under the NYSE Listing Rules, other than Dr. Evans and Mr. Thompson. Our Board determined that, under the NYSE Listing Rules, Dr. Evans is not an independent director because he is the Chief Executive Officer of the Company. It has also been determined that Mr. Thompson is not an independent director, because of the purchase orders we received from Teal Drones, a Red Cat subsidiary.

Our Board has determined that Mr. Lowry, Mr. Rich, and Ms. Colón are independent under the NYSE Listing Rules' independence standards for Audit Committee members. Our Board has also determined that they are independent under the NYSE Listing Rules independence standards for Compensation Committee members and for Governance and Nominating committee members.

**Committees of the Board of Directors****Audit Committee**

The Audit Committee currently consists of Mr. Rich (Chair), Mr. Lowry, and Ms. Colón. Each member of the Audit Committee is an independent director as defined by the rules of the SEC and NYSE American. The Audit Committee has the sole authority and responsibility to select, evaluate and engage independent auditors for the Company. The Audit Committee reviews with the auditors and with the Company's financial management all matters relating to the annual audit of the Company.

The Audit Committee monitors the integrity of our financial statements, monitors the independent registered public accounting firm's qualifications and independence, monitors the performance of our internal audit function and the auditors, and monitors our compliance with legal and regulatory requirements. The Audit Committee also meets with our auditors to review the results of their audit and review of our annual and interim financial statements.

The Audit Committee plans to meet at least on a quarterly basis to discuss with management the annual audited financial statements and quarterly financial statements and meets from time to time to discuss general corporate matters.

**Audit Committee Financial Expert**

Our Board determined that Mr. Rich is qualified as an Audit Committee Financial Expert, as that term is defined by the rules of the SEC, in compliance with the Sarbanes-Oxley Act of 2002.

**Compensation Committee**

The Compensation Committee currently consists of Mr. Lowry (Chair), Ms. Colón, and Mr. Rich each of whom are independent directors. Among other things, the Compensation Committee reviews, recommends and approves salaries and other compensation of the Company's executive officers, and administers the Company's Equity Incentive Plan (including reviewing, recommending and approving stock option and other equity incentive grants to executive officers).

In addition, subject to existing agreements, the Compensation Committee is authorized to determine the salaries, bonuses, and other matters relating to compensation of the executive officers of the Company using similar parameters. It may set performance targets for determining periodic bonuses payable to executive officers. It is also authorized to review and make recommendations to the Board regarding executive and employee compensation and benefit plans and programs generally, including employee bonus and retirement plans and programs (except to the extent specifically delegated to a Board appointed committee with authority to administer a particular plan). In addition, the Compensation Committee approves the compensation of non-employee directors and reports it to the full Board.

The Compensation Committee also reviews and makes recommendations with respect to shareholder proposals related to compensation matters.

The Compensation Committee may, in its sole discretion and at the Company's cost, retain or obtain the advice of a compensation consultant, legal counsel or other adviser. The Compensation Committee is directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the committee.

**Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee (the "Nominating Committee") consists of Ms. Colón (Chair), Mr. Lowry, and Mr. Rich, each of whom meets the independence requirements of all other applicable laws, rules and regulations governing director independence, as determined by the Board.

The Nominating Committee has the authority to identify individuals qualified to become members of the Board, consistent with criteria approved by the Board; recommend to the Board the director nominees for the next annual meeting of shareholders at which directors are to be elected; recommend to the Board candidates to fill any vacancies on the Board; develops, recommend to the Board, and reviews the corporate governance guidelines applicable to the Company; and oversees the evaluation of the Board and management.

It is authorized to consider and recruit candidates to fill positions on the Board, including as a result of the removal, resignation or retirement of any director, an increase in the size of the Board or otherwise. The Nominating Committee has the authority to conduct, subject to applicable law, any and all inquiries into the background and qualifications of any candidate for the Board and such candidate's compliance with the independence and other qualification requirements established by the Nominating Committee.

In selecting and recommending candidates for election to the Board or appointment to any committee of the Board, the Nominating Committee does not believe that it is appropriate to select nominees through mechanical application of specified criteria. Rather, the Nominating Committee shall consider such factors as it deems appropriate, including, without limitation, the following: personal and professional integrity, ethics and values; experience in corporate management, such as serving as an officer or former officer of a publicly-held company; experience in the Company's industry; experience as a board member of another publicly-held company; diversity as required by the NYSE Rules; diversity of expertise and experience in substantive matters pertaining to the Company's business relative to other directors of the Company; practical and mature business judgment; and composition of the Board (including its size and structure).

The Nominating Committee will develop and recommend to the Board a policy regarding the consideration of director candidates recommended by the Company's shareholders and procedures for submission by shareholders of director nominee recommendations.

The Nominating Committee oversees the evaluation of the Board and management. It also develops and recommends to the Board a set of corporate governance guidelines applicable to the Company, which the Nominating Committee shall periodically review and revise as appropriate. In discharging its oversight role, the Nominating Committee is empowered to investigate any matter brought to its attention.

### **Board Leadership Structure**

Allan Evans serves as the Chairman of the Board and actively interfaces with management, the Board and counsel regularly. We believe that Dr. Evans's experience as an entrepreneur and Chief Executive Officer of a drone company will help the Company with the challenges faced by us at this stage as well as implementing our business and marketing plans, integrating acquisitions, continuing and managing our growth. We believe that Dr. Evans and the other members of the Board will assist the Company's management with both the operational aspects as well as the strategic aspects of our business.

### **Board Risk Oversight**

The Company's risk management function is overseen by the Board. The Company's management keeps the Board apprised of material risks and provides its directors access to all information necessary for them to understand and evaluate how these risks interrelate, how they affect us, and how management addresses those risks. Allan Evans, Chairman of the Board, works closely together with the other members of the Board when material risks are identified on how to best address such risks. If the identified risk poses an actual or potential conflict with management, the Company's independent directors may conduct the assessment. Presently, the primary risks affecting us are our liquidity and continued revenue growth to obtain positive cash flow.

### **Family Relationships**

There are no family relationships among any of our officers or directors.

### **Involvement in Legal Proceedings**

We are not aware of any of our directors or officers being involved in any legal proceedings in the past 10 years relating to any matters in bankruptcy, insolvency, criminal proceedings (other than traffic and other minor offenses) or being subject to any of the items set forth under Item 401(f) of Regulation S-K of the SEC.

### **Code of Ethics**

The Board has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that applies to all of the Company's employees, including the Company's Chief Executive Officer and Chief Financial Officer. Although not required, the Code of Ethics also applies to the Company's directors. The Code of Ethics provides written standards that we believe are reasonably designed to deter wrongdoing and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, full, fair, accurate, timely and understandable disclosure and compliance with laws, rules and regulations and the prompt reporting of illegal or unethical behavior, and accountability for adherence to the Code of Ethics. We will provide a copy, without charge, to anyone that requests a copy of our Code of Ethics in writing by contacting 5728 Major Blvd, Suite 250, Orlando, FL 32819, Attention: Corporate Secretary.

### **Insider Trading Arrangements and Policies**

We are committed to promoting high standards of ethical business conduct and compliance with applicable laws, rules, and regulations. As part of this commitment, we have adopted our Insider Trading Policy governing the purchase, sale, and/or other dispositions of our securities by our directors, officers, and employees that we believe is reasonably designed to promote compliance with insider trading laws, rules and regulations, and the exchange listing standards applicable to us. A copy of our Insider Trading Policy is filed as Exhibit 19.1 to this Annual Report on Form 10-K for the year ended December 31, 2025.

### **Hedging**

Under the Company's Insider Trading Policy, all officers, directors and certain identified employees are prohibited from engaging in hedging transactions, without prior approval as outlined in our Insider Trading Policy.

### **Clawback Policy**

Our Board has adopted a policy relating to recovery of erroneously awarded compensation (a "Clawback Policy") in accordance with the rules of the New York Stock Exchange, to recoup "excess" incentive compensation, if any, earned by current and former executive officers during a three year look back period in the event of a financial restatement due to material noncompliance with any financial reporting requirement under the securities laws (with no fault required). Our Clawback Policy is incorporated by reference as Exhibit 97.1.

## **Item 11. Executive Compensation.**

## Executive Compensation Overview

This section provides an overview of the compensation awarded to, earned by, or paid to each individual who served as our principal executive officer during 2025. Our named executive officers, or the Named Executive Officers, for the year ended December 31, 2025, are:

- Allan Evans, our Chief Executive Officer;
- Brian Hoff, our Chief Financial Officer
- Andrew Camden, our President and Chief Operating Officer

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### Unusual Machines Summary Compensation Table Years Ended December 31, 2025 and 2024

The following table contains information about the compensation paid to or earned by each Named Executive Officer for the two most recently completed fiscal years.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(4)	Option Awards (\$)(5)	All Other Compensation (\$)	Total (\$)
Allan Evans (1) Chief Executive Officer	2025	262,500	–	5,839,750	–	20,542	6,122,792
	2024	250,000	131,000	733,600	–	–	1,114,600
Brian Hoff (2) Chief Financial Officer	2025	255,000	–	2,812,750	–	2,440	3,070,190
	2024	250,000	121,220	449,600	–	–	820,820
Andrew Camden (3) Chief Operating Officer	2025	217,500	–	2,812,750	–	17,919	3,048,169
	2024	167,094	6,678	158,000	–	–	331,772

- (1) Dr. Evans was appointed Chief Executive Officer in December 2023. On April 30, 2024, Dr. Evans consulting company, 8 Consulting, LLC entered into a two-year Management Services Agreement to serve as the Company's Chief Executive Officer.
- (2) Mr. Hoff was appointed Chief Financial Officer in November 2022.
- (3) Mr. Camden was appointed Chief Operating Officer in March 2024 and became our President on January 23, 2026.
- (4) Amounts reflect the aggregate grant date fair value of restricted share grants computed in accordance with FASBASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 10 included in our consolidated financial statements. There can be no assurance that unvested awards will vest.
- (5) Option awards are valued in accordance with ASC 718, Compensation – Stock Compensation. Fair value is determined based on the Black-Scholes Model using inputs reflecting our estimates of expected volatility, term, discount rates, and dividend expectations. Compensation expense is recognized based on the vesting terms of the award.
- (6) All other compensation relates to benefit insurance premiums paid by the Company on behalf of our Named Executive Officers in accordance with our benefit plans.

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### Outstanding Equity Awards at December 31, 2025

The table below summarizes outstanding equity awards held by our Named Executive Officers at December 31, 2025. All of the below awards were issued under the Plan.

Name	Grant Date	Stock Awards	
		Number of Shares or Units of Stock Acquired on Vesting (#)	Market Value of Shares or Units of Stock Realized on Vesting (\$) (1)
Allan Evans*	02/03/2025	200,000	\$ 1,462,000
	06/30/2025	175,000	1,499,750
	11/20/2025	250,000	1,940,000
Brian Hoff	02/03/2025	100,000	\$ 1,200,000
	06/30/2025	75,000	642,750
	11/20/2025	125,000	970,000
Andrew Camden	02/03/2025	100,000	\$ 1,200,000
	06/30/2025	75,000	642,750
	11/20/2025	125,000	970,000

\* Awarded to 8 Consulting, LLC

- (1) Amounts reflect the aggregate grant date fair value of restricted share grants computed in accordance with FASBASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 10 included in our consolidated financial statements. There can be no assurance that unvested awards will vest.

## Employment Agreements

Consulting Agreement relating to Dr. Allan Evans, Chief Executive Officer

On April 30, 2024, the Company's Board approved the Company entering into a two-year Management Services Agreement (the "Agreement") with 8 Consulting LLC (the "Consultant") for the services of our Chief Executive Officer, Dr. Allan Evans, whereby the Consultant agreed to cause Dr. Evans to perform his services as the Company's Chief Executive Officer and the Consultant will be compensated on behalf of Dr. Evans by the Company in connection with his performance of such services. The Agreement allows Dr. Evans to receive favorable tax benefits as a resident of the Commonwealth of Puerto Rico who will perform such services in Puerto Rico. Pursuant to the Agreement, Dr. Evans will perform the duties and responsibilities that are customary for a chief executive officer of a public company that either have revenues similar to the Company on a pro forma basis as reflected in the Prospectus filed with the SEC on February 15, 2024, or if pre-revenues, are an active and on-going business that are performing pre-revenue activities. The Consultant agreed to cause Dr. Evans, as Chief Executive Officer, (i) to undertake primary responsibility for managing all aspects of the Company and overseeing the preparation of all reports, registration statements and other filings required by the Company with the SEC and executing the certifications required the Sarbanes Oxley Act of 2002 and the rules of the SEC as the principal executive officer of the Company; (ii) attend investor meetings and road shows in connection with the Company's fundraising and investor relations activities; (iii) to report to the Company's Board; (iv) to perform services for such subsidiaries of the Company as may be necessary.

Under the Agreement, the Consultant receives a \$250,000 fee per year payable in monthly installments. In October 2025, the Company increased the fee to \$300,000. In addition, the Consultant was granted 488,000 fully vested shares of restricted Common Stock. The fair value of the shares was \$585,600 based on the \$1.20 quoted trading price on the Grant Date and will be recognized over the service period (see below). The grant of restricted common stock was made under the Company's Plan. The Company and Dr. Evans previously entered into an Offer Letter dated November 27, 2023, under which he would serve as the Company's Chief Executive Officer effective as of December 4, 2023. The Agreement terminates and replaces the Offer Letter dated November 27, 2023.

#### Employment Agreement with Brian Hoff, Chief Financial Officer

The Employment Agreement with Mr. Hoff effective November 1, 2022 provides that he will serve as the Chief Financial Officer of the Company on an at will basis. In August 2023, the Employment Agreement was amended (the "First Hoff Amendment") to increase the percentage of Restricted Stock Units ("RSUs") from 1% to 3% (as discussed below). Pursuant to his Employment Agreement, Mr. Hoff receives an annual base salary of \$250,000. In October 2025, the Company increased Mr. Hoff's salary to \$270,000. In addition, Mr. Hoff's Employment Agreement entitles him to the following:

- Eligibility to earn an annual bonus of 50% of his annual base salary based on key performance indicators, as set forth in a bonus plan that is to be established, approved, administered and determined by the Board and the Chief Executive Officer.
- A cash and/or equity bonus of up to \$125,000 including the bonus he received following the acquisition of Fat Shark and Rotor Riot.
- A cash bonus and/or equity bonus equal to up to \$125,000 upon the completion of a capital raise event, defined as a second offering, a private placement offering, an at-market offering, a private investment in public equity offering.
- A grant of 293,000 shares of restricted stock (after giving effect to the First Hoff Amendment). The RSUs vested following the Closing of the IPO.

Additionally, under his Employment Agreement, if Mr. Hoff is terminated by the Company without Cause or terminates his employment for Good Reason, he will be entitled to six months' annual base salary and COBRA premiums, as well as accelerated vesting of 100% of the then unvested RSUs, if applicable.

For this purpose, Good Reason is generally defined as (i) any reduction in his base salary, (ii) any material diminution of his authorities, titles or offices, (iii) being required to report to anyone other than the Chief Executive Officer, (iv) a request by the Company to relocate, or (v) material breach of his Employment Agreement without cure after 30 days' written notice.

Cause is generally defined as (i) failure to perform his material duties under the Employment Agreement, following 30 days' written notice without cure, (ii) willful misconduct or gross negligence or breach of a fiduciary duty owed to the Company, (iii) conviction of our guilty pleas to a felony or other criminal offense involving moral turpitude, (iv) any act or omission involving dishonesty, disloyalty, or fraud causing or reasonably expected to cause significant economic harm to the Company, or (v) material breach of his Employment Agreement without cure after 30 days' written notice.

#### Employment arrangement with Andrew Camden, President and Chief Operating Officer

Our Board appointed Mr. Camden, Chief Operating Officer on March 4, 2024, and agreed to pay him a salary of \$150,000 per year. In September 2024, the Compensation Committee approved increasing Mr. Camden's salary to \$200,000 and again in October 2025, to \$270,000. On January 23, 2026, Mr. Camden became our President.

#### **Non-Employee Director Compensation**

Following our February 2024 IPO, our Board approved compensation for our non-employee directors. Our non-employee directors will receive annual aggregate compensation of \$60,000 for service on the Board comprised of cash and equity grants. Additional compensation for the chairperson members as set forth below. All cash payments and equity grants will be made semi-annual in arrears.

- Audit Committee Chair: \$5,000
- Compensation Committee Chair: \$5,000
- Nominating and Governance Committee Chair: \$5,000

All equity grants issued to our non-employee directors will be granted under our Plan.

On February 3, 2025, the Board determined that for 2025 non-employee directors will be granted \$90,000 payable in restricted Common Stock with the number of shares determined based upon the closing price of the Company's Common Stock during each open window period with the first grant equal to two-quarters of compensation on May 19, 2025 using the May 19<sup>th</sup> closing price to determine the number of shares, the second quarter grant equal to 25% of the total using the August 19, 2025 closing price and the final grant of restricted stock using the November 19, 2025 closing price with all grants vested and the grants subject to continued service as of the grant date and execution of the Company's

Based on the recommendation of professional compensation consultant that the Company retained to review the compensation for non-management directors of the Company, on September 29, 2025, the Board approved that effective July 1, 2025, the compensation for the non-management directors was increased to \$160,000 per year payable in equal quarterly installments. Such directors have the right to receive cash compensation or shares of the Company's common stock by providing the Company with written notice at least 10 days before the end of each quarter and to the extent any director elects to receive shares of common stock, the number of shares of common stock will be determined by using the closing price of the common stock on the NYSE American (regular hours) and on the last day of each quarter the shares will be delivered promptly thereafter.

#### Director Compensation Table

The following table sets forth information regarding the compensation earned or paid for service on our Board of Directors by our non-employee directors during the year ended December 31, 2025.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Total (\$)
Cristina A. Colon, Esq.	17,500	107,510	125,010
Robert Lowry	31,991	107,511	139,502
Sanford Rich	71,991	67,507	139,498
Jeffrey Thompson	17,500	107,500	125,010

(1) Represents cash fees paid, accrued or earned for serving as directors including committee roles.

(2) Represents restricted common stock. Amounts reported represent the aggregate grant date fair value of awards granted without regard to forfeitures granted to the non-employee directors during 2025, computed in accordance with ASC 718. This amount does not reflect the actual economic value realized by the directors.

#### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding the beneficial ownership of our Common Stock as of March 11, 2026 by (i) each person, entity or group (as that term is used in Section 13(d)(3) of the Exchange Act known to the Company to be the beneficial owner of more than 5% of the outstanding Common Stock; (ii) each of our directors; (iii) each of our Named Executive Officers; and (iv) all executive officers and directors as a group.

Information relating to beneficial ownership of Common Stock by our principal stockholders and management is based upon information furnished by each person using "beneficial ownership" concepts under the rules of the SEC. Under these rules, a person is deemed to be a beneficial owner of a security if that person directly or indirectly has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to dispose or direct the disposition of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Under the SEC rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary interest. Except as noted below, each person has sole voting and investment power with respect to the shares beneficially owned and each stockholder's address is c/o Unusual Machines, Inc., 5728 Major Blvd, Suite 250, Orlando Florida, 32819.

The percentages below are calculated based on 38,889,911 shares of Common Stock issued and outstanding as of March 11, 2026.

Name and Address (1) of Beneficial Owner	Title of Class	Amount of Shares Beneficially Owned	Percentage of Beneficial Ownership
<b>Named Executive Officers and Directors:</b>			
Allan Evans	Common Stock	1,589,141	4.09%
Brian Hoff	Common Stock	525,475	1.35%
Andrew Camden	Common Stock	366,000	0.94%
Jeffrey Thompson	Common Stock	340,600	0.88%
Sanford Rich	Common Stock	204,944	0.53%
Robert Lowry	Common Stock	161,083	0.41%
Cristina Colón	Common Stock	55,852	0.14%
All executive officers and directors as a group (6 persons)	Common Stock	1,879,601	8.34%

(1) Address is 5728 Major Blvd, Suite 200, Orlando, FL 32819

#### Securities Authorized for Issuance Under Equity Compensation Plan

The following table provides information regarding our equity compensation plans as of December 31, 2025:

##### Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and vesting of restricted stock	Weighted-average exercise price of outstanding options and warrants	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	739,684	\$ 6.50	1,489,830
Equity compensation plans not approved by security holders	—	\$ —	—

The Company's Plan currently has 1,489,830 shares of Common Stock available for future grants as of the date of this Annual Report on Form 10-K which includes the increase in total authorized shares for the 5% evergreen provision as of January 1, 2026 and the increase of total authorized shares related to additional issuances since December 31, 2025.

The Plan contains an "evergreen" provision, pursuant to which the number of shares of Common Stock reserved for issuance pursuant to awards under such plan shall be increased on the first day of each year beginning in 2025 and ending in 2032 equal to the lesser of (a) 5% of the shares of stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (b) such smaller number of shares of stock as determined by our Board of Directors.

### Item 13. Certain Relationships and Related Party Transactions and Director Independence

The following is a description of transactions since January 1, 2025, to which we were a party or will be party, in which the amount involved exceeded or will exceed the lesser of \$120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years, and any of our directors, executive officers or holders of more than 5% of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest. As permitted by the SEC rules, discussion of employment relationships or transactions involving the Company's executive officers and directors, and compensation solely resulting from such employment relationships or transactions, or service as a director of the Company, as the case may be, has been omitted to the extent disclosed in the Executive Compensation or the Director Compensation section of this annual report, as applicable.

In January 2026, the Company received a \$2.1 million order from Teal Drones, which is a subsidiary of Red Cat. Red Cat is a related party as Jeff Thompson is the Chief Executive Officer of Red Cat and is also on the Board of Directors of Unusual Machines. The order is expected to be delivered in the first half of 2026 and includes several different drone components manufactured and sourced from the Company.

On December 29, 2025, the Company issued 142,299 shares of common stock to Dr. Allan Evans, our CEO and two directors Robert Lowry and Sanford Rich related to exercising of 164,473 warrants of the October 2024 private placement. 131,578 of these warrants were exercised on a cashless basis using the calculation as defined in the warrant agreement at a volume-weighted average price of \$11.81 and issuing a total of 109,404 shares of common stock for the cashless exercise. 32,895 of these warrants were exercised for cash proceeds of \$65,461 and issuing a total of 32,895 shares of common stock. The Company cancelled the 164,473 warrants related to these exercises upon issuance of the common stock.

In October 2025, the Company received a \$0.8 million order from Teal Drones, which is a subsidiary of Red Cat. Red Cat is a related party as Jeff Thompson is the Chief Executive Officer of Red Cat and is also on the Board of Directors of Unusual Machines. The Company recognized approximately \$0.2 million in revenue for the year ended December 31, 2025. The Company had a related party receivable of \$0.2 million as of December 31, 2025. The order includes several different drone components manufactured and sourced from the Company.

In May 2025, in relation to the confidentially marketed public offering as described in more detail in Note 10, "Earnings Per Share and Stockholders' Equity", Dr. Evans, the Company's CEO and three directors, Cristina Colón, Robert Lowry and Sanford Rich invested a total of \$420,000 in the offering on identical terms to the other Investors and received a total of 84,000 shares of common stock.

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### Item 14. Principal Accountant Fees and Services

Salberg & Company, P.A. audited our financial statements for the fiscal year ended December 31, 2025 and 2024.

#### Independent Registered Public Accounting Firm Fees

The following is a summary and description of fees incurred by Salberg & Company, P.A. for the fiscal years ended December 31, 2025 and 2024. (\$ in '000s)

	2025	2024
Audit fees <sup>(1)</sup>	\$ 190	\$ 155
Audit related <sup>(2)</sup>	25	21
Tax fees	-	-
Total fees	<u>\$ 215</u>	<u>\$ 176</u>

(1) Audit fees consist of fees for the audit of our annual financial statements and the quarterly reviews of our interim financial statements.

(2) All other fees consist of fees related to reviews of our registration statements and issuance of comfort letters during the year.

#### Audit Committee Pre-approval Policy and Procedures

Our Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by our Audit Committee or the engagement is entered into pursuant to the pre-approval procedure described below.

From time to time, our Audit Committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval details the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

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## PART IV

### Item 15. Exhibits and Financial Statement Schedules

#### (a) 1. Financial Statements

For a list of the financial statements included herein, see Index to the Financial Statements on page F-1 of this Annual Report, incorporated into this Item by reference.

#### 2. Financial Statement Schedules

Financial statement schedules have been omitted because they are either not required or not applicable or the information is included in the financial statements or the notes thereto.

(b) Exhibits

The exhibits required by Item 601 of Regulation S-K and Item 15(b) of this Annual Report are listed in the Exhibit Index below. The exhibits listed in the Exhibit Index are incorporated by reference herein.

EXHIBIT INDEX

Exhibit No.	Description	Filed/Furnished Herewith	Incorporated by Reference	
			Form	Exhibit No. Filing Date
1.1	<a href="#">Form of Underwriting Agreement, dated February 14, 2024, by and between Unusual Machines, Inc. and Dominari Securities, LLC</a> +		8-K	1.1 2/16/24
1.2	<a href="#">Capital on Demand™ Sales Agreement</a>		8-K	1.1 8/29/25
2.1	<a href="#">Agreement and Plan of Merger by and between Unusual machines, Inc., a Puerto Rico corporation and Unusual Machines, Inc., a Nevada corporation</a>		8-K	2.1 4/23/24
3.1	<a href="#">Articles of Incorporation</a>		8-K	3.1 4/23/24
3.2	<a href="#">Amended and Restated Bylaws</a>		8-K	3.1 10/8/24
3.2(a)	<a href="#">Amendment No. 1 to Amended and Restated Bylaws</a>		8-K	3.1 2/5/25
3.2(b)	<a href="#">Second Amendment to the Amended and Restated Bylaws</a>		8-K	3.1 1/29/26
3.3	<a href="#">Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock</a>		8-K	3.1 7/22/24
3.3(a)	<a href="#">Certificate of Withdrawal for Series A Convertible Preferred Stock</a>	(1)		
3.4	<a href="#">Certificate of Designation of Series B Convertible Preferred Stock</a>		8-K	3.3 4/23/24
3.4(a)	<a href="#">Certificate of Withdrawal for Series B Convertible Preferred Stock</a>	(1)		
3.5	<a href="#">Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock</a>		8-K	3.1 8/22/24
3.5(a)	<a href="#">Certificate of Withdrawal for Series C Convertible Preferred Stock</a>	(1)		
4.1	<a href="#">Form of 8% Promissory Note</a> +		8-K	4.1 7/22/24
4.2	<a href="#">Revised Form of Representatives Warrant</a>		S-1/A	10.7 2/1/24
4.3	<a href="#">Placement Agent Warrant, issued to Dominari Securities LLC</a>		8-K	4.1 5/7/25
4.4	<a href="#">Description of Securities</a>		10-K	4.7 3/22/24
10.1	<a href="#">Share Purchase Agreement</a> +		S-1	10.1 3/14/23
10.1(a)	<a href="#">Amended and Restated Amendment No. 1 to Share Purchase Agreement</a>		S-1/A	10.2 5/3/23
10.1(b)	<a href="#">Amendment No. 2 to Share Purchase Agreement</a>		S-1/A	10.3 8/7/23
10.1(c)	<a href="#">Amendment No. 3 to Share Purchase Agreement</a>		S-1/A	10.4 9/19/23
10.1(d)	<a href="#">Amendment No. 4 to Share Purchase Agreement</a>		S-1/A	10.5 12/15/23
10.2	<a href="#">Security Agreement</a>		S-1	10.3 3/14/23
10.3	<a href="#">Employment Agreement with Brian Hoff</a> ##		S-1	10.6 3/14/23
10.3(a)	<a href="#">Form of Amendment No. 1 to the Employment Agreement with Brian Hoff</a> #		S-1/A	10.11A 8/7/23
10.4	<a href="#">Form of Patent Assignment</a>		S-1/A	10.6 8/7/23
10.5	<a href="#">Form of Trademark Assignment</a>		S-1/A	10.7 8/7/23
10.6	<a href="#">Form of Restricted Stock Unit Agreement</a>		S-1/A	10.18 8/7/23
10.7	<a href="#">Form of Lock-up Agreement</a>		S-1/A	10.14 2/1/24
10.8	<a href="#">Form of Lock-up Agreement – Jeffrey Thompson</a>		S-1/A	10.15 2/1/24
10.9	<a href="#">Allan Evans Non-Compete Agreement</a>		8-K	10.9 2/22/24
10.10	<a href="#">Management Services Agreement</a> #		8-K	10.1 5/6/24
10.11	<a href="#">Form of Exchange Agreement</a> +		8-K	10.1 7/22/24
10.12	<a href="#">Form of Closing Date working Capital Agreement and Consent</a> +		8-K	10.2 7/22/24
10.13	<a href="#">4% Convertible Promissory Note – Titan Multi-Strategy Fund I, Ltd.</a>		S-1	10.20 9/11/24
10.14	<a href="#">4% Convertible Promissory Note – Eleven Ventures LLC</a> +		S-1	10.21 9/11/24
10.15	<a href="#">Common Stock Purchase Warrant – Titan Multi-Strategy Fund I, Ltd.</a> +		S-1	10.22 9/11/24
10.16	<a href="#">Common Stock Purchase Warrant - Eleven Ventures LLC</a> +		S-1	10.23 9/11/24
10.17	<a href="#">Exchange Agreement – Titan Multi-Strategy Fund I, Ltd.</a> +		S-1	10.24 9/11/24
10.18	<a href="#">Exchange Agreement – Eleven Ventures LLC</a> +		S-1	10.25 9/11/24
10.19	<a href="#">Registration Rights Agreement – Titan Multi-Strategy Fund I, Ltd.</a> +		S-1	10.26 9/11/24
10.20	<a href="#">Registration Rights Agreement – Eleven Ventures LLC</a> +		S-1	10.27 9/11/24
10.21	<a href="#">Letter Agreement - Titan Multi-Strategy Fund I, Ltd.</a>		8-K	10.1 10/8/24
10.22	<a href="#">Letter Agreement - Eleven Ventures LLC</a>		8-K	10.2 10/8/24
10.23	<a href="#">Form of Securities Purchase Agreement</a>		8-K	10.1 10/30/24
10.24	<a href="#">Placement Agency Agreement</a>		8-K	10.2 10/30/24
10.25	<a href="#">Registration Rights Agreement</a>		8-K	10.3 10/30/24
10.26	<a href="#">Form of Common Stock Purchase Warrant</a>		8-K	10.4 10/30/24
10.27	<a href="#">Form of Placement Agent Warrant</a>		8-K	10.5 10/30/24
10.28	<a href="#">Form of Lock-up Agreement</a>		8-K	10.6 10/30/24
10.29	<a href="#">Form of Advisory Agreement</a>		S-1	10.28 11/27/24
10.30	<a href="#">Agreement and Plan of Merger and Reorganization dated February 1, 2025</a>		8-K	10.1 2/4/25
10.31	<a href="#">Placement Agency Agreement, dated as of May 5, 2025, by and between Unusual Machines, Inc. and Dominari Securities, LLC</a>		8-K	10.1 5/7/25
10.32	<a href="#">Amendment and Waiver to Merger Agreement, dated as of May 6, 2025, by and between Unusual machines, Inc., Aloft Technologies, Inc., UMAC Merger Sub, Inc., Jon Hegranes and Josh Ziering</a>		10-Q	10.9 5/8/25
10.33	<a href="#">Form of Restricted Stock Agreement</a>		8-K	10.1 5/21/25
10.34	<a href="#">Lease Agreement, dated June 4, 2025, between unusual Machines, Inc. and Icon FL Orlando Industrial Owner Pool 5 GA/FL, LLC</a>		8-K	10.1 6/10/25

10.36	<a href="#">Form of Securities Purchase Agreement</a>		8-K	10.1	7/15/25
10.37	<a href="#">Placement Agency Agreement</a>		8-K	10.2	7/15/25
10.38	<a href="#">Placement Agency Warrant, issued to Dominari Securities LLC</a>		8-K	10.3	7/15/25
10.39	<a href="#">Amended and Restated 2022 Equity Incentive Plan #</a>		S-8	4.1	2/13/26
14.40	<a href="#">Code of Ethics</a>		S-1/A	10.17	8/7/23
16.1	<a href="#">Letter from Salberg &amp; Company, P.A.</a>		8-K/A	7.1	8/15/24
19.1	<a href="#">Insider Trading Policy</a>	(1)			
21.1	<a href="#">List of Subsidiaries</a>		10-K/A	21.1	8/9/24
23.1	<a href="#">Consent of Salberg &amp; Company, P.A.</a>	(1)			
31.1	<a href="#">Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	(1)			
31.2	<a href="#">Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	(1)			
32.1	<a href="#">Certification of the Principal Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	(3)			
32.2	<a href="#">Certification of the Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	(3)			
97.1	<a href="#">Clawback Policy</a>		10-K	97.1	3/22/24
101.INS	Inline XBRL Instance Document	(1)			
101.SCH	Inline XBRL Taxonomy Extension Schema	(1)			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	(1)			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	(1)			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	(1)			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	(1)			
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	(1)			

+ Certain schedules, appendices and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC Staff upon request.

# Indicates management contract or compensatory plan, contract or agreement.

- (1) Filed herein  
(3) Furnished herein.

**Item 16. Form 10-K Summary**

The Company has elected not to include summary information.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized.

Unusual Machines, Inc.

By: /s/ Allan Evans

Allan Evans  
Chief Executive Officer, President and Director  
(Principal Executive Officer)

By: /s/ Brian Hoff

Brian Hoff  
Chief Financial Officer

Date: March 12, 2026

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
<u>/s/ Allan Evans</u> Allan Evans	Chief Executive Officer, President and Director (Principal Executive Officer)	March 12, 2026
<u>/s/ Brian Hoff</u> Brian Hoff	Chief Financial Officer (Principal Financial and Accounting Officer)	March 12, 2026

/s/ Cristina Colón  
Cristina Colón

Director

March 12, 2026

/s/ Robert Lowry  
Robert Lowry

Director

March 12, 2026

/s/ Sanford Rich  
Sanford Rich

Director

March 12, 2026

/s/ Jeffrey Thompson  
Jeffrey Thompson

Director

March 12, 2026

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FRANCISCO V. AGUILAR  
 Secretary of State  
 401 North Carson Street  
 Carson City, Nevada 89701-4201  
 (775) 684-5708  
 Website: www.nvsos.gov

## Certificate, Amendment or Withdrawal of Designation

NRS 78.1955, 78.1955(6)

- Certificate of Designation
- Certificate of Amendment to Designation - Before Issuance of Class or Series
- Certificate of Amendment to Designation - After Issuance of Class or Series
- Certificate of Withdrawal of Certificate of Designation

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

<b>1. Entity information:</b>	Name of entity: <input style="width: 90%;" type="text" value="Unusual Machines, Inc."/> Entity or Nevada Business Identification Number (NVID): <input style="width: 20%;" type="text" value="NV20243072595"/>
<b>2. Effective date and time:</b>	For Certificate of Designation or Amendment to Designation Only Date: <input style="width: 20%;" type="text"/> Time: <input style="width: 20%;" type="text"/> (Optional): (must not be later than 90 days after the certificate is filed)
<b>3. Class or series of stock:</b> (Certificate of Designation only)	The class or series of stock being designated within this filing: <input style="width: 90%;" type="text"/>
<b>4. Information for amendment of class or series of stock:</b>	The original class or series of stock being amended within this filing: <input style="width: 90%;" type="text"/>
<b>5. Amendment of class or series of stock:</b>	<input type="checkbox"/> Certificate of Amendment to Designation- Before Issuance of Class or Series As of the date of this certificate no shares of the class or series of stock have been issued. <input type="checkbox"/> Certificate of Amendment to Designation- After Issuance of Class or Series The amendment has been approved by the vote of stockholders holding shares in the corporation entitling them to exercise a majority of the voting power, or such greater proportion of the voting power as may be required by the articles of incorporation or the certificate of designation.
<b>6. Resolution:</b> Certificate of Designation and Amendment to Designation only)	By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes OR amends the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.* <input style="width: 90%; height: 30px;" type="text"/>
<b>7. Withdrawal:</b>	Designation being Withdrawn: <input style="width: 30%;" type="text" value="Series A Conv. Preferred Stock"/> Date of Designation: <input style="width: 20%;" type="text" value="07/16/2024"/> No shares of the class or series of stock being withdrawn are outstanding. The resolution of the board of directors authorizing the withdrawal of the certificate of designation establishing the class or series of stock: * <input style="width: 90%; height: 30px;" type="text"/>
<b>8. Signature: (Required)</b>	Signed by: _____ <input checked="" type="checkbox"/> <i>Allan Evans</i> _____ Signature of Officer Date: <input style="width: 20%;" type="text" value="4/9/2025"/>

\* Attach additional page(s) if necessary  
 This form must be accompanied by appropriate fees.



FRANCISCO V. AGUILAR  
 Secretary of State  
 401 North Carson Street  
 Carson City, Nevada 89701-4201  
 (775) 684-5708  
 Website: www.nvsos.gov

**Certificate, Amendment or Withdrawal of Designation**

NRS 78.1955, 78.1955(6)

- Certificate of Designation
- Certificate of Amendment to Designation - Before Issuance of Class or Series
- Certificate of Amendment to Designation - After Issuance of Class or Series
- Certificate of Withdrawal of Certificate of Designation

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

<b>1. Entity information:</b>	Name of entity: Unusual Machines, Inc. Entity or Nevada Business Identification Number (NVID): NV20243072595
<b>2. Effective date and time:</b>	For Certificate of Designation or Amendment to Designation Only (Optional): Date: _____ Time: _____ <small>(must not be later than 90 days after the certificate is filed)</small>
<b>3. Class or series of stock:</b> (Certificate of Designation only)	The class or series of stock being designated within this filing: _____
<b>4. Information for amendment of class or series of stock:</b>	The original class or series of stock being amended within this filing: _____
<b>5. Amendment of class or series of stock:</b>	<input type="checkbox"/> Certificate of Amendment to Designation- Before Issuance of Class or Series As of the date of this certificate no shares of the class or series of stock have been issued.
	<input type="checkbox"/> Certificate of Amendment to Designation- After Issuance of Class or Series The amendment has been approved by the vote of stockholders holding shares in the corporation entitling them to exercise a majority of the voting power, or such greater proportion of the voting power as may be required by the articles of incorporation or the certificate of designation.
<b>6. Resolution:</b> Certificate of Designation and Amendment to Designation only)	By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes OR amends the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.* _____ _____
<b>7. Withdrawal:</b>	Designation being Withdrawn: Series B Conv. Preferred Stock Date of Designation: 04/19/2024 No shares of the class or series of stock being withdrawn are outstanding. The resolution of the board of directors authorizing the withdrawal of the certificate of designation establishing the class or series of stock: * _____ _____
<b>8. Signature: (Required)</b>	<input checked="" type="checkbox"/> Signed by: <u>Allan Evans</u> Date: 4/9/2025 <small>3DC306FDAGE04D2</small> Signature of Officer

\* Attach additional page(s) if necessary  
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TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

<b>1. Entity information:</b>	Name of entity: Unusual Machines, Inc.
	Entity or Nevada Business Identification Number (NVID): NV20243072595
<b>2. Effective date and time:</b>	For Certificate of Designation or Amendment to Designation Only Date: Time: (Optional): (must not be later than 90 days after the certificate is filed)
<b>3. Class or series of stock:</b> (Certificate of Designation only)	The class or series of stock being designated within this filing:
<b>4. Information for amendment of class or series of stock:</b>	The original class or series of stock being amended within this filing:
<b>5. Amendment of class or series of stock:</b>	<input type="checkbox"/> Certificate of Amendment to Designation- Before Issuance of Class or Series As of the date of this certificate no shares of the class or series of stock have been issued.
	<input type="checkbox"/> Certificate of Amendment to Designation- After Issuance of Class or Series The amendment has been approved by the vote of stockholders holding shares in the corporation entitling them to exercise a majority of the voting power, or such greater proportion of the voting power as may be required by the articles of incorporation or the certificate of designation.
<b>6. Resolution:</b> Certificate of Designation and Amendment to Designation only)	By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes OR amends the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.*
<b>7. Withdrawal:</b>	Designation being Withdrawn: Series C Conv. Preferred Stock Date of Designation: 08/21/2024 No shares of the class or series of stock being withdrawn are outstanding. The resolution of the board of directors authorizing the withdrawal of the certificate of designation establishing the class or series of stock: *
<b>8. Signature: (Required)</b>	Signed by: Allan Evans 3C8306F0A0E04D2 Signature of Officer Date: 4/9/2025

\* Attach additional page(s) if necessary  
 This form must be accompanied by appropriate fees.



## Unusual Machines, Inc. - Insider Trading Policy

### Purpose

This Insider Trading Policy (the “**Policy**”) provides guidelines with respect to transactions in the securities of Unusual Machines, Inc. (the “**Company**”) and the handling of confidential information about the Company and the companies with which the Company engages in transactions or does business. This Policy supplements, and does not replace, the legal obligations of directors, officers, and employees under applicable federal and state securities laws. The Company’s Board of Directors has adopted this Policy to promote compliance with U.S. federal, state and foreign securities laws that prohibit certain persons who are aware of material nonpublic information about a company from: (i) engaging in transactions in the securities of that company; or (ii) providing material nonpublic information to other persons who may trade on the basis of that information.

### Persons Subject to the Policy

This Policy applies to all officers of the Company and its subsidiaries, all members of the Company’s Board of Directors and all employees of the Company and its subsidiaries. The Company may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to material nonpublic information. This Policy also applies to family members, other members of a person’s household and entities controlled by a person covered by this Policy, as described below.

### Transactions Subject to the Policy

This Policy applies to transactions in the Company’s securities (collectively referred to in this Policy as “**Company Securities**”), including the Company’s common stock, options to purchase common stock, or any other type of securities that the Company may issue, including (but not limited to) preferred stock, convertible debentures and warrants, as well as derivative securities that are not issued by the Company, such as exchange-traded put or call options or swaps relating to the Company’s Securities. Transactions subject to this Policy include purchases, sales and *bona fide* gifts of Company Securities.

### Individual Responsibility

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Company and to not engage in transactions in Company Securities while in possession of material nonpublic information. Persons subject to this policy must not engage in illegal trading and must avoid the appearance of improper trading. Each individual is responsible for making sure that he, she or they complies with this Policy, and that any family member, household member or entity whose transactions are subject to this Policy, as discussed below, also comply with this Policy. In all cases, the responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual, and any action on the part of the Company, the Compliance Officer or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. You could be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading “Consequences of Violations.”

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### Administration of the Policy

Brian Hoff shall serve as the Compliance Officer for the purposes of this Policy, and in his absence, Allan Evans or another employee designated by the Compliance Officer shall be responsible for administration of this Policy. All determinations and interpretations by the Compliance Officer shall be final and not subject to further review.

### Statement of Policy

It is the policy of the Company that no director, officer or other employee of the Company (or any other person designated by this Policy or by the Compliance Officer as subject to this Policy) who is aware of material nonpublic information relating to the Company may, directly, or indirectly through family members or other persons or entities:

1. Engage in transactions in Company Securities, except as otherwise specified in this Policy under the headings “Transactions Under Company Plans” and “Rule 10b5-1 Plans;”
2. Recommend that others engage in transactions in any Company Securities;
3. Disclose material nonpublic information to persons within the Company whose jobs do not require them to have that information, or outside of the Company to other persons, including, but not limited to, family, friends, business associates, investors and expert consulting firms, unless any such disclosure is made in accordance with the Company’s policies regarding the protection or authorized external disclosure of information regarding the Company; or
4. Assist anyone engaged in the above activities.

In addition, it is the policy of the Company that no director, officer or other employee of the Company (or any other person designated as subject to this Policy) who, in the course of working for the Company, learns of material nonpublic information about a company (1) with which the Company does business, such as the Company’s distributors, vendors, customers and suppliers, or (2) that is involved in a potential transaction or business relationship with Company, may engage in transactions in that company’s securities until the information becomes public or is no longer material.

There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company’s reputation for adhering to the highest standards of conduct.

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### **Definition of Material Nonpublic Information**

**Material Information.** Information is considered “material” if a reasonable investor would consider that information important in making a decision to buy, hold or sell securities. Any information that could be expected to affect a company’s stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances, and is often evaluated by enforcement authorities with the benefit of hindsight. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are:

- Information related to the gain or loss of new contracts or new customers;
- Projections of future earnings or losses, or other earnings guidance;
- Changes to previously announced earnings guidance, or the decision to suspend earnings guidance;
- A pending or proposed merger, acquisition or tender offer;
- A pending or proposed acquisition or disposition of a significant asset;
- A pending or proposed joint venture;
- A Company restructuring;
- Significant related party transactions;
- The declaration of a stock split, or an offering of additional securities;
- Financing transactions out of the ordinary course;
- The establishment of a repurchase program for Company Securities;
- A change in the Company’s pricing or cost structure;
- Major marketing changes;
- A change in senior management;
- A change in auditors or notification that the auditor’s reports may no longer be relied upon;
- Development of a significant new product, process, or service;
- Pending or threatened significant litigation, or the resolution of such litigation;
- The imposition of an event-specific restriction on trading in Company Securities or the securities of another company or the extension or termination of such restriction.
- Impending bankruptcy or the existence of severe liquidity problems; or
- A significant cybersecurity incident, such as a data breach, or any other significant disruption in the company’s operations or loss, potential loss, breach or unauthorized access of its property or assets, whether at its facilities or through its information technology infrastructure.

**When Information Is Considered Public.** Information that has not been disclosed to the public is generally considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through the newswire services, a broadcast on widely-available radio or television programs, publication in a widely-available newspaper, magazine or news website, or public disclosure documents filed with the SEC that are available on the SEC’s website. By contrast, information would likely not be considered widely disseminated if it is available only to the Company’s employees, or if it is only available to a select group of analysts, brokers and institutional investors.

Once information is widely disseminated, it is still necessary to provide the investing public with sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace until one full trading day has elapsed after the day on which the information is released. If, for example, the Company were to make an announcement on a Monday afternoon at 4:01 p.m., you should not trade in Company Securities until the market opens on Wednesday. Depending on the particular circumstances, the Company may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

### **Transactions by Family Members and Others**

This Policy applies to your family members and other persons who reside with you (including a spouse, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings and in-laws), anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Company Securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Company Securities (collectively referred to as “**Family Members**”). You are responsible for the transactions of these other persons and therefore should make them aware of the need to confer with you before they trade in Company Securities, and you should treat all such transactions for the purposes of this Policy and applicable securities laws as if the transactions were for your own account. This Policy does not, however, apply to personal securities transactions of Family Members where the purchase or sale decision is made by a third party not controlled by, influenced by or related to you or your Family Members.

### **Transactions by Entities that You Influence or Control**

This Policy applies to any entities that you influence or control, including any corporations, partnerships or trusts (collectively referred to as “**Controlled Entities**”), and transactions by these Controlled Entities should be treated for the purposes of this Policy and applicable securities laws as if they were for your own account. The Company has a policy of encouraging holders of restricted stock to sell shares to cover income tax withholding upon vesting.

## Transactions Under Company Plans

This Policy does not apply in the case of the following transactions, except as specifically noted:

Stock Option Exercises. This Policy does not apply to the exercise of an employee stock option acquired pursuant to the Company's plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Restricted Stock Awards. This Policy does not apply to the vesting of restricted stock, or the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. The Policy does apply, however, to any market sale of restricted stock.

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## Special and Prohibited Transactions

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. It therefore is the Company's policy that any persons covered by this Policy may not engage in any of the following transactions, or should otherwise consider the Company's preferences as described below:

Short-Term Trading. Short-term trading of Company Securities may be distracting to the person and may unduly focus the person on the Company's short-term stock market performance instead of the Company's long-term business objectives. For these reasons, any director, officer or other employee of the Company who purchases Company Securities in the open market may not sell any Company Securities of the same class during the six months following the purchase (or vice versa).

Short Sales. Short sales of Company Securities (i.e., the sale of a security that the seller does not own) may evidence an expectation on the part of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in the Company's prospects. In addition, short sales may reduce a seller's incentive to seek to improve the Company's performance. For these reasons, short sales of Company Securities are prohibited. In addition, Section 16(c) of the Securities Exchange Act of 1934 (the "**Exchange Act**") prohibits officers and directors from engaging in short sales. (Short sales arising from certain types of hedging transactions are governed by the paragraph below captioned "Hedging Transactions.")

Publicly-Traded Options. Given the relatively short term of publicly-traded options, transactions in options may create the appearance that a director, officer or employee is trading based on material nonpublic information and focus a director's, officer's or other employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in put options, call options or other derivative securities, on an exchange or in any other organized market, are prohibited by this Policy. (Option positions arising from certain types of hedging transactions are governed by the next paragraph below.)

Hedging Transactions. Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such transactions may permit a director, officer or employee to continue to own Company Securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as the Company's other shareholders. Therefore, the Company strongly discourages you from engaging in such transactions. Any person wishing to enter into such an arrangement must first submit the proposed transaction for approval by the Compliance Officer. Any request for preclearance of a hedging or similar arrangement must be submitted to the Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed transaction and must set forth a justification for the proposed transaction.

Margin Accounts and Pledged Securities. Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Company Securities, directors, officers and other employees are prohibited from holding Company Securities in a margin account or otherwise pledging Company Securities as collateral for a loan. (Pledges of Company Securities arising from certain types of hedging transactions are governed by the paragraph above captioned "Hedging Transactions.")

Standing and Limit Orders. Standing and limit orders (except standing and limit orders under approved Rule 10b5-1 Plans, as described below) create heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a director, officer or other employee is in possession of material nonpublic information. The Company therefore discourages placing standing or limit orders on Company Securities. If a person subject to this Policy determines that they must use a standing order or limit order, the order should be limited to short duration and should otherwise comply with the restrictions and procedures outlined below under the heading "Additional Procedures."

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## Additional Procedures

The Company has established additional procedures in order to assist the Company in the administration of this Policy, to facilitate compliance with laws prohibiting insider trading while in possession of material nonpublic information, and to avoid the appearance of any impropriety. These additional procedures are applicable only to those individuals described below.

Pre-Clearance Procedures. Executive officers, directors and the persons designated by the Compliance Officer as being subject to these procedures (the "**Restricted Group**"), as well as the Family Members and Controlled Entities of such persons, may not engage in any transaction in Company Securities without first obtaining pre-clearance of the transaction from the Compliance Officer. A request for pre-clearance must be submitted to the Compliance Officer at least two business days in advance of the proposed transaction. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction. If a person seeks pre-clearance and permission to engage in the transaction is denied, then he or she should refrain from initiating any transaction in Company Securities, and should not inform any other person of the restriction.

When a request for pre-clearance is made, the requestor should carefully consider whether he or she may be aware of any material nonpublic information about the Company, and should describe fully those circumstances to the Compliance Officer. The requestor should also indicate whether he or she has effected any non-exempt

“opposite-way” transactions within the past six months, and should be prepared to report the proposed transaction on an appropriate Form 4 or Form 5. The requestor should also be prepared to comply with SEC Rule 144 and file a Form 144, if necessary, at the time of any sale.

The pre-clearance approval may specify that pre-cleared trades must be effected within a specific period of time, such as within five trading days of receipt of pre-clearance unless an exception is granted. Transactions not effected within the time limit shall be subject to pre-clearance again. The pre-clearance approval shall also specify that notification of the Compliance Officer is necessary following completion of the transaction.

**Quarterly Trading Restrictions: Blackout Periods.** The persons in the Restricted Group as subject to this restriction, as well as their Family Members or Controlled Entities, may not conduct any transactions involving the Company’s Securities (other than as specified by this Policy), during a “**Blackout Period**” beginning 10 days prior to the end of each fiscal quarter and ending at the beginning of trading on the second trading day following the date of the public release of the Company’s earnings results for that quarter. In other words, these persons may only conduct transactions in Company Securities during the “**Window Period**” beginning at the beginning of trading on the second trading day following the public release of the Company’s quarterly earnings and ending 10 days prior to the close of the next fiscal quarter.

**Event-Specific Blackout Periods.** From time to time, an event may occur that is material to the Company and is known by only a few directors, officers and/or employees. So long as the event remains material and nonpublic, the persons in the Restricted Group may not engage in transactions in Company Securities. In addition, the Company’s financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the Compliance Officer, designated persons should refrain from engaging in transactions in Company Securities even sooner than the quarterly Blackout Period described above. In that situation, the Compliance Officer may notify these persons that they should not trade in the Company’s Securities, without disclosing the reason for the restriction. The existence of an Event-Specific Blackout Period or the extension of a quarterly Blackout Period will not be announced to the Company as a whole, and should not be communicated to any other person. Even if the Compliance Officer has not designated you as a person who should not engage in transactions in Company Securities due to an Event-Specific Blackout Period, you should not trade while aware of material nonpublic information. Exceptions will not be granted during an Event-Specific Blackout Period.

**Exceptions.** The requirement for pre-clearance, the quarterly trading restrictions and event-specific trading restrictions do not apply to transactions conducted pursuant to approved Rule 10b5-1 plans, described under the heading “Rule 10b5-1 Plans.”

### **Rule 10b5-1 Plans**

Rule 10b5-1 under the Exchange Act provides a defense from insider trading liability under Rule 10b-5. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 plan for transactions in Company Securities that meets certain conditions specified in the Rule (a “**Rule 10b5-1 Plan**”) and must be in accordance with the Company’s “Guidelines for Rule 10b5-1 Plans.” If the plan meets the requirements of Rule 10b5-1, transactions in Company Securities may occur even when the person who has entered into the plan is aware of material nonpublic information. The Company’s executive officers and directors generally use a Rule 10b5-1 Plan.

To comply with the Policy, a Rule 10b5-1 Plan must be approved by the Compliance Officer and meet the requirements of Rule 10b5-1 and the Company’s “Guidelines for Rule 10b5-1 Plans,” which may be obtained from the Compliance Officer. In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of material nonpublic information. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party. The plan must include a cooling-off period before trading can commence that, for directors or officers, ends on the later of 90 days after the adoption of the Rule 10b5-1 plan or two trading days following the disclosure of the Company’s financial results in an SEC periodic report for the fiscal quarter in which the plan was adopted (but in any event, the required cooling-off period is subject to a maximum of 120 days after adoption of the plan), and for persons other than directors or officers, 30 days following the adoption or modification of a Rule 10b5-1 plan. A person may not enter into overlapping Rule 10b5-1 plans (subject to certain exceptions) and may only enter into one single-trade Rule 10b5-1 plan during any 12-month period (subject to certain exceptions). Directors and officers must include a representation in their Rule 10b5-1 plan certifying that: (i) they are not aware of any material nonpublic information; and (ii) they are adopting the plan in good faith and not as part of a plan or scheme to evade the prohibitions in Rule 10b-5. All persons entering into a Rule 10b5-1 plan must act in good faith with respect to that plan.

Any Rule 10b5-1 Plan must be submitted for approval five days prior to the entry into the Rule 10b5-1 Plan. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan will be required. Rule 10b5-1 Plans should be used for tax selling following vesting of restricted stock for persons in the Restricted Group.

### **Post-Termination Transactions**

This Policy continues to apply to transactions in Company Securities even after termination of service to the Company. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not engage in transactions in Company Securities until that information has become public or is no longer material. Those persons subject to Blackout Periods will no longer require pre-clearance or otherwise be subject to the Blackout Period requirements but, of course, must not trade based on material non-public information. We caution you not to assume you do not have material nonpublic information. Apart from this Policy, our executive officers and directors may have certain additional requirements relating to filing Form 4s with the SEC.

### **Exceptions**

On rare occasions, our Board of Directors may grant waivers under circumstances where it is clear the person seeking the waiver is not violating the law. Any such waiver must be approved in writing by the Board of Directors and documented in the Company’s records.

### **Consequences of Violations**

The purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then engage in transactions in the Company’s Securities, is prohibited by the federal and state laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys, state enforcement authorities, and enforcement authorities in foreign jurisdictions. Punishment for insider trading violations is severe, and could include significant fines and imprisonment. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other “controlling persons” if they fail to take reasonable steps to prevent insider trading by company personnel.

In addition, an individual’s failure to comply with this Policy may subject the individual to Company-imposed sanctions, up to and including dismissal for cause, whether or not the employee’s failure to comply results in a violation of law. The Company reserves the right to determine appropriate sanctions in its sole discretion based on the nature and severity of the violation. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person’s reputation and irreparably damage a

career.

**Company Assistance**

Any person who has a question about this Policy or its application to any proposed transaction may obtain additional guidance from the Compliance Officer.

**Certification**

All persons subject to this Policy must certify their understanding of, and intent to comply with, this Policy.

**CERTIFICATION**

I certify that:

1. I have read and understand the Company’s Insider Trading Policy (the “**Policy**”), including all definitions, prohibitions, procedures, and potential consequences of violations.
2. I understand that the Compliance Officer is available to answer any questions I have regarding the Policy.
3. Since the date the Policy became effective, or such shorter period of time that I have been subject to the Policy, I have complied with the Policy.
4. I will continue to comply with the Policy for as long as I am subject to the Policy, and I understand that certain restrictions may continue to apply for a period of time after my relationship with the Company ends.

Print name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A**

**PRECLEARANCE REQUEST FORM**

**REQUEST FOR PRECLEARANCE OF  
PURCHASE OR SALE OF SECURITIES**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Proposed Transaction: (check one):

- Purchase of Security
- Sale of Security
- Exercise of Options
  - Incentive Stock Options
  - Non-Qualified Options
- Exercise of Warrants  
Date of Grant of Options, Warrants or Other Securities: \_\_\_\_\_

Other [Please explain] \_\_\_\_\_

Number of and type of Security: \_\_\_\_\_

Anticipated Date of Proposed Transaction: \_\_\_\_\_

(Note: Transaction must be completed within the approval validity period specified below)

**1. Have you made purchase(s) of Unusual Machines, Inc. (the "Company") stock or acquired any derivative securities (including options, warrants, or other convertible instruments) within the last six months?**

Yes  No

If so, please complete:

Date(s) of Purchase(s): \_\_\_\_\_ No. of Shares: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**2. Have you made sales of the Company's stock or disposed of any derivative securities (including the exercise of put options or other dispositions) within the last six months?**

Yes  No

If so, please complete:

Date(s) of Sale(s): \_\_\_\_\_ No./Type of Security: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**3. Have you made exercises or conversions of the Company's options/warrants or other securities of the Company within the last six months?**

Yes  No

If so, please complete:

Date(s) of Exercise(s): \_\_\_\_\_ No./Type of Security: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**4. Have you received grants of the Company's options/warrants/restricted stock units or other securities of the Company within the last six months?**

Yes  No

If so, please complete:

Date(s) of Exercise(s): \_\_\_\_\_ No./Type of Security: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**I hereby certify that: (i) I am not in possession of material non-public information concerning the Company or its securities; (ii) I am not subject to any legal, regulatory, or contractual restriction that would prohibit me from effecting the proposed transaction; and (iii) the information provided in this form is true, complete, and accurate to the best of my knowledge. I understand that any material misrepresentation or omission may result in disciplinary action, including termination of employment, and may subject me to civil and criminal liability under federal securities laws.**

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Signed: \_\_\_\_\_

**PRE-CLEARANCE DECISION**

Request Approved:  Yes  No

This approval is valid for a period of five business days from the date indicated below. If the transaction is not completed within this period, a new preclearance request must be submitted. This approval may be revoked at any time if the Company becomes aware of information or other circumstances that would make the transaction inappropriate.

If Denied, Reason: \_\_\_\_\_

If Approved with Conditions, Specify Conditions: \_\_\_\_\_

Date of Approval/Denial:

Approval Valid Through: \_\_\_\_\_

(Five business days from date of approval unless otherwise specified)

\_\_\_\_\_  
Compliance Officer

## Exhibit 23.1

### Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Files No. 333-293475 and 333-287530) and on Form S-3 (File No. 333-286413) of Unusual Machines, Inc. of our report dated March 12, 2026 relating to the consolidated financial statements of Unusual Machines, Inc. and Subsidiaries, as of December 31, 2025 and 2024 and for the each of the two years in the period ended December 31, 2025, appearing in this Annual Report on Form 10-K of Unusual Machines, Inc. for the year ended December 31, 2025.

We also consent to the reference to our firm under the heading “Experts” in such Registration Statements, as applicable.

/s/ Salberg & Company, P.A.

SALBERG & COMPANY, P.A.  
Boca Raton, Florida  
March 12, 2026

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULES 13a-14(a) OR 15D-14(a)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Allan Evans, certify that:

1. I have reviewed this Annual Report on Form 10-K of Unusual Machines Inc. for the year ended December 31, 2025.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 12, 2026

/s/ Allan Evans

Name: Allan Evans

Its: Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULES 13a-14(a) OR 15D-14(a)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Brian Hoff, certify that:

1. I have reviewed this Annual Report on Form 10-K of Unusual Machines Inc. for the year ended December 31, 2025.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 12, 2026

/s/ Brian Hoff  
Name: Brian Hoff  
Its: Chief Financial Officer  
(Principal Financial Officer)

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

In connection with the Annual Report of Unusual Machines Inc. (the "Company") on Form 10-K, for the year ended December 31, 2025 as filed with the Securities and Exchange Commission, I, Allan Evans, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

March 12, 2026

/s/ Allan Evans

Name: Allan Evans

Its: Chief Executive Officer

(Principal Executive Officer)

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

In connection with the Annual Report of Unusual Machines Inc. (the "Company") on Form 10-K, for the year ended December 31, 2025 as filed with the Securities and Exchange Commission, I, Brian Hoff, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

March 12, 2026

/s/ Brian Hoff

Name: Brian Hoff

Its: Chief Financial Officer

(Principal Financial and Accounting Officer)