

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

FORM 10-Q

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2025

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____.

Commission File Number 001-42261

SAFE PRO GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**18305 Biscayne Blvd. Suite 222
Aventura, Florida**
(Address of principal executive offices)

87-4227079

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

33160
(Zip Code)

(786) 409-4030

(Registrant's telephone number, including area code)

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

Title of each class

Common Stock, par value \$0.0001

Trading Symbol(s)

SPAI

Name of each exchange on which registered

The Nasdaq Stock Market Inc.

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

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 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, a smaller reporting company, or an emerging growth company. See 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
Non-accelerated filer X

Accelerated filer
Smaller reporting company X
Emerging growth company X

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

As of May 15, 2025, the registrant had outstanding 15,172,185 shares of common stock.

FORM 10-Q

INDEX

Page

[PART I: FINANCIAL INFORMATION](#)

[ITEM 1. FINANCIAL STATEMENTS \(UNAUDITED\)](#)

1

[CONDENSED CONSOLIDATED BALANCE SHEETS](#)

1

[CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS](#)

2

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY	3
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	4
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	5
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	23
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	32
ITEM 4. CONTROLS AND PROCEDURES	32
PART II. OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	33
ITEM 1A. RISK FACTORS	34
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	34
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	34
ITEM 4. MINE SAFETY DISCLOSURES	34
ITEM 5. OTHER INFORMATION	34
ITEM 6. EXHIBITS	34
SIGNATURES	35

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

SAFE PRO GROUP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2025	December 31, 2024
ASSETS	(Unaudited)	
CURRENT ASSETS:		
Cash	\$ 912,219	\$ 1,970,719
Accounts receivable and other receivables, net	15,785	123,686
Inventory	313,717	342,061
Prepaid expenses and other current assets	243,932	313,663
Total current assets	1,485,653	2,750,129
OTHER ASSETS:		
Property and equipment, net	314,103	314,881
Right of use assets, net	82,751	101,621
Intangible assets, net	1,109,416	1,088,645
Goodwill	684,867	684,867
Security deposits	9,800	9,800
Total other assets	2,200,937	2,199,814
TOTAL ASSETS	\$ 3,686,590	\$ 4,949,943
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 226,059	\$ 119,812
Accrued expenses	123,580	90,264
Accrued compensation	12,812	115,344
Due to related parties	428,233	421,623
Contract liabilities	26,742	83,768
Lease liabilities, current portion	54,599	63,115
Total current liabilities	872,025	893,926
LONG-TERM LIABILITIES		
Note payable	146,000	146,000
Lease liabilities, net of current portion	25,205	35,592
Total long-term liabilities	171,205	181,592
Total liabilities	1,043,230	1,075,518

SHAREHOLDERS' EQUITY

Preferred stock: \$0.0001 par value, 10,000,000 shares authorized;

Series A preferred stock; 3,000,000 shares designated, 0 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively

-

Series B preferred stock; 3,275,000 shares designated, 0 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively

-

Common stock; \$0.0001 par value, 200,000,000 shares authorized, 15,172,185 and 14,534,685 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively

1,517 1,453

Additional paid-in capital

20,857,611 18,123,723

Accumulated deficit

(18,215,768) (14,250,751)

Total shareholders' equity

2,643,360 3,874,425

Total liabilities and shareholders' equity

\$ 3,686,590 \$ 4,949,943

See the accompanying notes to the unaudited condensed consolidated financial statements.

1

**SAFE PRO GROUP INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****For the Three Months Ended
March 31,****2025 2024****REVENUES:**

Product sales \$ 140,600 \$ 222,356

Services 44,202 85,297

Total Revenues 184,802 307,653

COST OF REVENUES:

Product sales 104,187 148,212

Services 19,049 32,226

Total Cost of Revenues 123,236 180,438

GROSS PROFIT 61,566 127,215

OPERATING EXPENSES:

Salary, wages and payroll taxes 2,024,543 434,578

Research and development - 85,777

Professional fees 1,602,148 460,773

Selling, general and administrative expenses 355,863 185,372

Depreciation and amortization 84,702 45,601

Total Operating Expenses 4,067,256 1,212,101

LOSS FROM OPERATIONS (4,005,690) (1,084,886)

OTHER INCOME (EXPENSES):

Other income 29,615 -

Interest income 12,703 -

Interest expense (1,645) (58,974)

Total Other Income (Expenses), net 40,673 (58,974)

NET LOSS \$ (3,965,017) \$ (1,143,860)

NET LOSS PER COMMON SHARE:

Basic and diluted \$ (0.27) \$ (0.13)

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:

Basic and diluted 14,747,185 8,779,825

See accompanying notes to the unaudited condensed consolidated financial statements

2

**SAFE PRO GROUP INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN OF STOCKHOLDERS' EQUITY****For the Three Months Ended March 31, 2024**

Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-in	Accumulated	Total Shareholders'
--------------------------	--------------------------	--------------	--------------------	-------------	---------------------

	<u># of Shares</u>	<u>Amount</u>	<u># of Shares</u>	<u>Amount</u>	<u># of Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Deficit</u>	<u>Equity</u>
Balance, December 31, 2023	3,000,000	\$ 300	3,275,000	\$ 328	8,734,770	\$ 873	\$ 8,597,147	\$ (6,822,290)	\$ 1,776,358
Common shares issued for professional services rendered	-	-	-	-	50,000	5	97,995	-	98,000
Relative fair value of warrants issued with convertible debt	-	-	-	-	-	-	76,802	-	76,802
Net loss	-	-	-	-	-	-	-	(1,143,860)	(1,143,860)
Balance, March 31, 2024	<u>3,000,000</u>	<u>\$ 300</u>	<u>3,275,000</u>	<u>\$ 328</u>	<u>8,784,770</u>	<u>\$ 878</u>	<u>\$ 8,771,944</u>	<u>\$ (7,966,150)</u>	<u>\$ 807,300</u>

For the Three Months Ended March 31, 2025

	<u># of Shares</u>	<u>Amount</u>	<u># of Shares</u>	<u>Amount</u>	<u># of Shares</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Shareholders' Equity</u>
Balance, December 31, 2024	-	\$ -	-	\$ -	14,534,685	\$ 1,453	\$ 18,123,723	\$ (14,250,751)	\$ 3,874,425
Stock based compensation in relation to restricted stock awards	-	-	-	-	637,500	64	2,435,561	-	2,435,625
Fair value of options and warrants	-	-	-	-	-	-	233,712	-	233,712
Contributed capital	-	-	-	-	-	-	64,615	-	64,615
Net loss	-	-	-	-	-	-	-	(3,965,017)	(3,965,017)
Balance, March 31, 2025	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>15,172,185</u>	<u>\$ 1,517</u>	<u>20,857,611</u>	<u>\$ (18,215,768)</u>	<u>\$ 2,643,360</u>

See accompanying unaudited notes to the condensed consolidated financial statements.

**SAFE PRO GROUP INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>For the Three Months Ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,965,017)	\$ (1,143,860)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	103,366	60,677
Stock-based compensation and professional fees	2,435,625	98,000
Amortization of debt discount	-	36,785
Fair value of options and warrants granted	233,712	-
Change in operating assets and liabilities:		
Accounts receivable	107,901	90,491
Inventory	28,344	(43,480)
Prepaid expenses and other assets	69,731	(163,113)
Accounts payable	106,247	(14,083)
Accrued expenses	97,931	(20,503)
Contract liabilities	(57,026)	343,517
Lease liability	(33)	(6)
Accrued compensation	(102,532)	187,559
NET CASH USED IN OPERATING ACTIVITIES	<u>(941,751)</u>	<u>(568,016)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(18,247)	-
Investment in internal-use software	(105,112)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(123,359)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible notes payable	-	275,001
Proceeds from related party advances	15,816	-
Repayment of due to related party	(9,206)	(10,746)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>6,610</u>	<u>264,255</u>
NET DECREASE IN CASH	<u>(1,058,500)</u>	<u>(303,761)</u>
CASH, beginning of period	<u>1,970,719</u>	<u>703,368</u>
CASH, end of period	<u>\$ 912,219</u>	<u>\$ 399,607</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for:			
Interest	\$	1,645	\$ 2,404
Income taxes	\$	-	\$ -

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

Fair value of options and warrants granted	\$	233,712	\$ -
Contributed services	\$	64,615	\$ -

See accompanying notes to the unaudited condensed consolidated financial statements.

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

NOTE 1 - NATURE OF ORGANIZATION, LIQUIDITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Safe Pro Group, Inc. (the "Company") is a Delaware corporation organized on December 15, 2021, under the name of Cybemate Corp and started doing business on January 1, 2022. On July 13, 2022, the Company changed its name from Cybemate Corp. to Safe Pro Group Inc. Through a layered approach to the development and integration of advanced artificial intelligence and machine learning, drone-based remote sensing technologies and services, and personal protective gear, the Company has acquired companies with unique safety and security technologies and solutions that can provide governments, enterprises and non-government organizations with innovative solutions designed to respond to evolving threats.

Liquidity and going concern uncertainties

As reflected in the accompanying unaudited condensed consolidated financial statements; the Company generated a net loss of \$3,965,017 and used cash in operations of \$941,751, during the three months ended March 31, 2025 and has an accumulated deficit of \$18,215,768 as of March 31, 2025. As of March 31, 2025, the Company had working capital of \$613,628.

These condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. To date, the Company has experienced negative operating cash flows and has incurred substantial operating losses from its activities. Management expects the Company to continue to generate substantial operating losses and to continue to fund its operations primarily through utilization of its current financial resources, future product sales, and through the issuance of debt or equity.

We have generated limited revenues to date from the sale of products and services. We have never been profitable and have incurred significant net losses each year since our inception. As reflected in the accompanying condensed consolidated financial statements; the Company generated a net loss of \$3,965,017 and used cash in operations of \$941,751 during the three months ended March 31, 2025, and has an accumulated deficit of \$18,215,768 as of March 31, 2025. As of March 31, 2025, the Company had working capital of \$613,628.

As of May 12, 2025, we have cash on hand of \$1,491,290 and working capital of \$1,698,910, as adjusted for contingent liability of related party payable of \$382,331, which is payable on demand but only from proceeds received from contracts the Bangladesh Ministry of Defense customer, while the Company expects revenue to generate cash flow will be enough to support its cash needs, these revenue projections are based on opportunities and not finite customer contracts, these matters raise substantial doubt about the Company's ability to continue as a going concern for a period of twelve months from the issuance date of this report. Management is using its current working capital for research and development and general working capital needs. Management's investment in infrastructure and its added design developments in "SpotlightAI" are positioning the Company for future revenue growth. Management cannot provide assurance that the Company will continue to achieve profitable operations, become cash flow positive or raise additional equity capital. Management's plan to address the going concern risk includes the submittal of bids for business from new customers. Additionally, the Company is seeking to raise capital through additional equity financings to fund its operations in the future. If the Company is unable to raise capital in the near future or secure new customer contracts, management expects that the Company will need to curtail its operations. These consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

On May 9, 2025, the Company closed on a private offering pursuant to certain Securities Purchase Agreements (each, an "Agreement") with certain accredited investors (the "Investors"), pursuant to which the Investors purchased: (i) 1,050 shares of Series C convertible preferred stock (the "Preferred Stock") a price of \$1,000 per share of Preferred Stock for aggregate gross proceeds of \$1.05 million, and (ii) three-year warrants to purchase the number of shares of Company's common stock ("Common Stock") equal to the number of Conversion Shares (defined below) underlying the Preferred Stock on the date of issuance at an exercise price of \$2.93 per share (the "Warrants"). Each share of Preferred Stock has a stated value (the "Stated Value") of \$1,100 per share. Each holder of Preferred Stock may convert all, or any part, of the Stated Value the outstanding Preferred Stock, at any time at such holder's option, into shares of the Common Stock (which converted shares of Common Stock are referred to as "Conversion Shares") at an initial fixed "Conversion Price" of \$2.25, which is subject to proportional adjustment upon the occurrence of any stock split, stock dividend, stock combination and/or similar transactions.

On August 29, 2024, pursuant to the initial public offering ("IPO"), the Company sold 1,020,000 shares of common for gross proceeds of \$5,100,000 and received net proceeds of \$4,179,500, after fees and expenses of \$920,500. During December 2024, the company received cash consideration of \$878,078 for the exercise of warrants.

The net proceeds from the above, serve to mitigate the conditions that historically raised substantial doubt about the Company's ability to continue as a going concern. The Company believes that the Company has sufficient cash to meet its obligations for a minimum of twelve months from the date of this filing.

Basics of presentation and principles of consolidation

The unaudited condensed consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries, Safe-Pro USA, Airborne Response, and Safe Pro AI. All intercompany accounts and transactions have been eliminated in consolidation.

Management acknowledges its responsibility for the preparation of the accompanying unaudited condensed consolidated financial statements which reflect all adjustments, consisting of normal recurring adjustments, considered necessary in its opinion for a fair statement of its financial position and the results of its operations for the periods presented. The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (the "U.S. GAAP") for interim financial information and with the instructions Article 8-03 of Regulation S-X. Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole.

Certain information and note disclosure normally included in consolidated financial statements prepared in accordance with U.S. GAAP has been condensed or omitted from these statements pursuant to such accounting principles and, accordingly, they do not include all the information and notes necessary for comprehensive consolidated

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates during the three months ended March 31, 2025 and 2024, include estimates for allowance for credit losses on accounts receivable and other receivables, estimates for obsolete or slow-moving inventory, the useful life of property and equipment, the valuation of assets acquired in an asset acquisition, the valuation of intangible assets and goodwill to determine any impairment, the estimate of the fair value of lease liabilities and related right of use assets, assumptions used in assessing impairment of long-lived assets, estimates related to the allocation of the transaction price for revenue recognition purposes, estimates of current and deferred income taxes and deferred tax valuation allowances, and the fair value of non-cash equity transactions.

Risks and uncertainties

The Company's cash is held at major commercial banks, which may at times exceed the Federal Deposit Insurance Corporation ("FDIC") limit. In August 2024, the Company has entered into a deposit placement agreement for Insured Cash Sweep Service ("ICS"). This service is a secure, and convenient way to access FDIC protection on large deposits and earn a return. This service provides for deposits in excess of \$250,000 to be distributed over multiple institutions, so that at any given time there are no sums in excess of FDIC insured levels. To date, the Company has not experienced any losses on its invested cash. As of March 31, 2025 and December 31, 2024, the Company had no cash in bank in excess of FDIC insured levels.

The Company's results of operations could be adversely affected by general conditions in the global economy and in the global financial markets, including conditions that are outside of its control, including the impact of health and safety concerns, and war in Ukraine and the Middle East. The most recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn could result in a variety of risks to our business, including weakened demand for the Company's products and services and its ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could strain the Company's domestic and international customers, possibly resulting in delays in customer payments. Any of the foregoing could harm the Company's business and it cannot anticipate all the ways in which the current economic climate and financial market conditions could adversely impact the Company's business.

Revenue recognition

In accordance with ASU Topic 606 - *Revenue from Contracts with Customers*, the Company recognizes revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Safe-Pro USA

The Company recognizes revenue when, or as, the performance obligation is satisfied. Performance obligations are determined through a review of customer contracts and may differ between customers depending upon contract terms.

Revenue from Safe-Pro USA customers is generally recognized at the time of shipment, which is the time that the Company satisfies its performance obligations.

Revenue from product sales is recognized when the related goods are shipped whereas revenue from training and inspection activities is recognized when the services are completed, and payment is probable. Discounts in multiple elements sold as a single arrangement are allocated proportionately to the individual elements based on the fair value charged when the element is sold separately.

Airborne Response

Airborne Response recognizes revenue when, or as, the performance obligation is satisfied. Performance obligations are determined through a review of customer contracts and may differ between customers depending upon contract terms. Revenues from services are recognized at a point in time when Airborne Response completes services pursuant to its agreements with clients and collectability is probable.

Safe Pro AI

Safe Pro AI sells subscriptions to its customers for the use of its software under a software as a service subscription model ("SaaS"), which will allow for the rapid, automated processing of aerial and ground-based imagery uploaded by customers, making it an ideal solution for a number of applications including demining, in law enforcement and security. The Company's SaaS offerings are sold under a prepaid or postpaid, usage-based pricing system pursuant to a tiers model, allowing customers to choose the subscription level to be charged based upon their intended usage. The subscription tiers utilize declining prices as the volume grows. Under this model, customers are charged an upfront fee based upon the number of gigapixels of aerial images uploaded into the system for processing. For customer convenience, Safe Pro AI initially charges data processing fees on a per hectare basis (1 hectare = 1,000 square meters). Under prepaid pay-as-you-go plans, revenues related to contracts that do not include a specified contract period are recognized upon usage by the customer and satisfaction of the Company's performance obligation. These usage-based revenues are constrained to the amount the Company expects to be entitled to and receive in exchange for providing access to its platform. If professional services are deemed to be distinct, revenue is recognized as services are

performed. The Company does not view the signing of the contract or the provision of initial setup services as discrete earnings events that are distinct.

Contract liabilities

Advance payments received from customers, as well as unpaid amounts that customers are contractually obligated to pay, are deferred until all revenue recognition criteria are satisfied. As of March 31, 2025 and December 31, 2024, customer advanced payments amounted to \$26,742 and \$83,768, respectively, which are included in contract liabilities on the accompanying unaudited condensed consolidated balance sheets.

Advertising costs

All costs related to advertising the Company's services and products are expensed in the period incurred. For the three months ended March 31, 2025 and 2024, advertising costs charged to operations were \$61,876 and \$13,645, respectively, are included in general and administrative expenses on the accompanying consolidated statements of operations.

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

Net loss per common share

ASC 260 "Earnings Per Share", requires dual presentation of basic and diluted earnings (loss) per common share ("EPS") with a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilutive securities and non-vested forfeitable shares. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares or resulted in the issuance of common shares that then shared in the earnings of the entity. Basic net loss per common share is computed by dividing net loss available to shareholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares, common share equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive common shares were excluded from the computation of diluted shares outstanding for the three months ended March 31, 2025 and 2024, as they would have an anti-dilutive impact on the Company's net losses and consisted of the following:

	March 31,	
	2025	2024
Stock warrants	125,531	696,955(1)
Stock options	236,250	-
Common shares issuable upon conversion of convertible notes	-	234,376
Common shares issuable upon conversion of Preferred Series A	-	1,500,000
Common shares issuable upon conversion of Preferred Series B	-	1,310,000
Total	361,781	3,741,331

(1) Does not include Representative warrants issued to underwriter for 51,000, which are not exercisable until March 1, 2025.

The Company has 3,000,000 Series A Preferred and 3,275,000 Series B Preferred shares authorized. On August 28, 2024, 3,000,000 Series A Preferred and 3,275,000 Series B Preferred shares were converted into 1,500,000 and 1,310,000 common shares respectively. During the three months ended March 31, 2025 and 2024, the Company had 0 and 1,500,000, respectively, of Series A Preferred and 0 and 1,310,000, respectively, of Series B Preferred shares issued and outstanding. (See Note 8).

Segment reporting

The Company uses "the management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company's chief operating decision maker is the chief executive officer of the Company, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. During the three months ended March 31, 2025 and 2024, the Company operated in three reportable business segments which consisted of (1) the business of Safe-Pro USA, (2) the business of Airborne Response, and (3) the business of Safe Pro AI. The Company's reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations and locations.

Recent accounting pronouncements

In November 2024, FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income (Topic 220): Disaggregation of Income Statement Expenses* ("ASU 2024-03"). ASU 2024-03 requires additional disclosure of the nature of expenses included in the income statement. ASU 2024-03 is effective for annual periods beginning after December 15, 2026 and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted, and application may be applied prospectively or retrospectively. We are currently evaluating the potential effect that ASU 2024-03 will have on our consolidated financial statements.

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

In November 2024, the FASB issued ASU 2024-04, *Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*, which clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion or extinguishment of convertible debt. The new guidance is effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual periods. The Company is currently evaluating the impact of the standard on its consolidated financial statements and related disclosures.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

NOTE 2 – ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable

On March 31, 2025 and December 31, 2024, accounts receivable consisted of the following:

	March 31, 2025	December 31, 2024
Accounts receivable	\$ 15,785	\$ 123,686
Less: allowance for doubtful accounts	-	-
Accounts receivable, net	\$ 15,785	\$ 123,686

For the three months ended March 31, 2025 and 2024, the Company did not record any bad debt expense related to accounts receivable.

Performance bond receivable

On March 31, 2025 and December 31, 2024, other receivables consisted solely of performance bond receivables as follows:

	March 31, 2025	December 31, 2024
Other receivables	\$ 142,526	\$ 142,526
Less: allowance for doubtful other receivables	(142,526)	(142,526)
Other receivables, net	\$ -	\$ -

Safe-Pro USA was required to obtain a Performance Guarantee (PG) at a bank designated by a former customer. The amount of each separate Performance Guarantee is 10% of the CFR (Cost and Freight) value of the contract in US Dollars. The Performance Guarantee was required to be submitted prior to the Contract being executed. In case of the supplier's failure to fulfill the contractual obligations as per the terms of the contract, the Performance Guarantee may be forfeited. Upon certain conditions being met, the Company would be entitled to reimbursement from the Performance Guarantee being held. The Company has yet to receive any receipts from their performance bonds being held at the designated bank. As of March 31, 2025 and December 31, 2024, there were no performance bonds receivable and outstanding.

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

NOTE 3 – INVENTORY

On March 31, 2025 and December 31, 2024, inventories consisted of the following:

	March 31, 2025	December 31, 2024
Raw materials	\$ 286,905	\$ 259,658
Work in process	5,391	60,229
Finished goods	21,421	22,174
Less reserve for obsolete inventory	-	-
Total	\$ 313,717	\$ 342,061

NOTE 4 – PROPERTY AND EQUIPMENT

On March 31, 2025 and December 31, 2024, property and equipment consisted of the following:

	March 31, 2025	December 31, 2024
Manufacturing equipment	\$ 340,009	\$ 340,009
Drones and related equipment	129,537	115,423
Software library	10,000	10,000
Furniture, fixtures and office equipment	11,463	7,329
Less accumulated depreciation	(176,906)	(157,880)
Total	\$ 314,103	\$ 314,881

For the three months ended March 31, 2025, depreciation expense amounted to \$19,026. For the three months ended March 31, 2024, depreciation expense amounted to \$15,443.

NOTE 5 – INTANGIBLE ASSETS AND GOODWILL

Intangible assets

As a result of the acquisition of Safe Pro AI on March 9, 2023, there was a \$545,625 increase in the gross intangible assets made up of \$545,625 of finite lived intangible assets, consisting of a single software asset, Spotlight AI™. Spotlight AI detects threats from drone imagery, relaying precise GPS location and actionable reporting information to decision makers and ground personnel. The Company intends to utilize its AI, ML and computer vision technology to create and analyze large datasets. The Company's technology is being used in the field by the Ukrainian government, as well as several humanitarian aid organizations.

During the three months ended March 31, 2025, the Company capitalized \$105,112 of its direct costs. For the three months ended March 31, 2025, the Company has \$1,109,416 of finite lived intangible assets, net.

As of March 31, 2025, intangible assets subject to amortization consisted of the following:

	March 31, 2025			Net finite intangible assets
	Amortization period (years)	Gross Amount	Accumulated Amortization	
Customer relationships	5	\$ 388,000	\$ (203,093)	\$ 187,907

Contractual employment agreements	3	310,000	(291,122)	18,878
Acquired capitalized internal-use software development costs	3	1,023,325	(117,694)	905,631
		<u>\$ 1,721,325</u>	<u>\$ (611,909)</u>	<u>\$ 1,109,416</u>

10

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

For the three months ended March 31, 2025, amortization of intangible assets amounted to \$84,341.

As of December 31, 2024, intangible assets subject to amortization consisted of the following:

	December 31, 2024			
	Amortization period (years)	Gross Amount	Accumulated Amortization	Net finite intangible assets
Customer relationships	5	\$ 388,000	\$ (183,819)	\$ 204,181
Contractual employment agreements	3	310,000	(271,337)	38,663
Acquired capitalized internal-use software development costs	3	918,213	(72,412)	845,801
		<u>\$ 1,616,213</u>	<u>\$ (428,068)</u>	<u>\$ 1,088,645</u>

For the year ended December 31, 2024 amortization of intangible assets amounted to \$271,235.

On March 31, 2025 and December 31, 2024, goodwill consisted of the following:

	March 31, 2025	December 31, 2024
Safe-Pro USA	\$ 518,255	\$ 518,255
Airborne Response	166,612	166,612
Total goodwill	<u>\$ 684,867</u>	<u>\$ 684,867</u>

Amortization of intangible assets with finite lives attributable to future periods is as follows:

Year ending March 31:	Amount
2025	\$ 245,179
2026	272,712
2027	249,424
2028	204,665
2029	137,436
Total	<u>\$ 1,109,416</u>

NOTE 6 – NOTE PAYABLE

On September 30, 2020, Safe-Pro USA entered into a Loan and Authorization Agreement (the "SBA COVID-19 EIDL Loan") with respect to a loan of \$146,000 from the U.S. Small Business Administration (the "SBA"). The SBA deferred the first payment due from 12 months from the date of the promissory note to 30 months from the date of the Note, with a term of 30 years or July 1, 2050. Interest shall accrue at the rate of 3.75% per annum. The SBA Loan is secured by a continuing security interest in and to any and all Safe Pro USA's tangible and intangible personal property, including, but not limited to inventory, equipment, accounts receivable, and deposit accounts. As of March 31, 2025 and December 31, 2024, accrued interest related to this note amounted to \$3,091 and \$5,227, respectively, and is included in accrued expenses on the accompanying unaudited condensed consolidated balance sheets.

On March 31, 2025 and December 31, 2024, notes payable consisted of the following:

	March 31, 2025	December 31, 2024
Notes payable	\$ 146,000	\$ 146,000
Total notes payable	146,000	146,000
Less: current portion of notes payable	-	-
Notes payable – long-term	<u>\$ 146,000</u>	<u>\$ 146,000</u>

11

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

The following schedule provides minimum future note payable principal payments required during future periods:

Year ending December 31:	Amount
2025	\$ -
2026	2,535
2027	3,219
2028	3,342
2029	3,469
2030	3,602
Thereafter	<u>129,833</u>

NOTE 7 – CONVERTIBLE NOTES PAYABLE

On December 27, 2023, the Company received net proceeds of \$475,000 in relation to a convertible debt agreement with an investor in the principal amount of \$475,000, which matured on December 27, 2024, at an interest rate of 15% per annum and a default interest rate of 18% per annum. The convertible debt agreement provided warrants to purchase up to 148,438 shares of the Company's common stock at an exercise price of \$1.00, with a term of three years. The investor may convert any outstanding and unpaid principal portion and accrued and unpaid interest of the convertible note into shares of the Company's common stock at the conversion price of \$3.20 per share, subject to price protection and 4.9% beneficial conversion limitation. The warrants were valued at \$184,063, or \$1.24, and using the relative fair value method, the Company recorded as a debt discount of \$132,658 to be amortized over the life of the convertible note. The warrants were valued on the grant date using a Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 2.91%, expected dividend yield of 0%, expected option term of three years, and expected volatility of 70.0% based on the calculated volatility of comparable companies.

During March 2024, the Company received net proceeds of \$275,001 in relation to a convertible debt agreement with an investor in the principal amount of \$475,000, which mature in March of 2025 at an interest rate of 15% per annum and a default interest rate of 18% per annum. The convertible debt agreement provided warrants to purchase up to 85,938 shares of the Company's common stock at an exercise price of \$1.00, with a term of three years. The investor may convert any outstanding and unpaid principal portion and accrued and unpaid interest of the convertible note into shares of the Company's common stock at the conversion price of \$3.20 per share, subject to price protection and 4.9% beneficial conversion limitation. The warrants were valued on the grant date at \$106,563, or \$1.24, using the relative fair value method. Warrants were valued on the grant date using a Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 2.91%, expected dividend yield of 0%, expected option term of three years, and expected volatility of 70.0% based on the calculated volatility of comparable companies.

On August 27, 2024, the December 2023 Convertible Note and March 2024 Convertible Notes with principal balances of \$750,001 and accrued interest payable of \$58,531, were converted into 252,666 common shares of the Company, pursuant to contractual conversion terms.

During the three months ended March 31, 2025 and the year ended December 31, 2024, the Company did not record any amortization of debt discount.

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

NOTE 8 – STOCKHOLDERS' EQUITY**Preferred Stock****Series A Preferred Stock**

On June 7, 2022, the Company's board of directors approved an Amendment to its Articles of Incorporation, to designate 3,000,000 shares of the Series A Preferred, par value \$0.0001. The Certificate of Designation became effective in the state of Delaware on January 20, 2023. Each share of Series A Preferred had an initial stated value of \$10.00 per share. On August 28, 2023, the Company amended its Series A Preferred Certificate of Designation, to amend the Series A Stated Value to \$2.50 per share.

Each share of Series A Preferred was convertible into the number of common shares equal to the Series A Stated Value (\$2.50) divided by the Fair Market Value of the common stock. The Fair Market Value is equal to the average of the closing price for the Company's common stock on a National Market Exchange, for the 20 trading days prior to conversion or in the case of an initial public offering the initial listing price, subject to price protection. Series A Preferred has voting rights equal to the number of common shares into which it may convert. The conversion rights of Preferred Series A were contingent upon the Company's completion of the initial public offering and/or listing on a National Market Exchange. The holders of the Series A Preferred shall be entitled to a dividend that is payable to the holders of the Company's common stock as well as certain liquidation rights.

The Series A Preferred were evaluated to determine whether temporary or permanent equity classification on the consolidated balance sheet was appropriate. As per the terms of the Series A Preferred Certificate of Designation, Series A Preferred is not redeemable for cash. As such, the Series A Preferred is classified as permanent equity. The Company concluded that the conversion rights under the Series A Preferred were clearly and closely related to the equity host instrument. Accordingly, the conversion rights feature on the Series A Preferred were not considered an embedded derivative that required bifurcation.

On June 7, 2022, in connection with the acquisition of 100% of the Safe-Pro USA, the Company issued 3,000,000 share of Series A preferred stock. On August 28, 2024, in conjunction with the Company's initial public offering, the Series A Preferred shares were converted into 1,500,000 shares of common stock.

Series B Preferred Stock

On August 29, 2022, the Company's board of directors approved an Amendment to its Articles of Incorporation, to designate 3,275,000 shares of the Series B Preferred, par value \$0.0001. The Certificate of Designation became effective in the state of Delaware on January 20, 2023. Each share of Series B Preferred had a stated value of \$2.00 per share.

Each share of Series B Preferred was convertible into the number of common shares equal to the Series B Stated Value (\$2.00) divided by the Fair Market Value of the common stock. The Fair Market Value is equal to the average of the closing price for the Company's common stock on a National Market Exchange, for the 20 trading days prior to conversion or in the case of an initial public offering the initial listing price, subject to price protection. Series B Preferred has voting rights equal to the number of common shares into which it may convert. The conversion rights of Preferred Series B were contingent upon the Company's completion of the initial public offering and/or listing on a National Market Exchange. The holders of the Series B Preferred shall be entitled to a dividend that is payable to the holders of the Company's common stock as well as certain liquidation rights.

On August 29, 2022, in connection with the acquisition of 100% of Airborne Response, the Company issued 3,275,000 share of Series B preferred stock. On August 27, 2024, in conjunction with the Company's initial public offering, the Series B Preferred shares were converted into 1,310,000 shares of common stock.

Common stock issued for compensation and services

2025

On February 27, 2025, the Company issued 100,000 restricted stock awards, pursuant to its 2022 Equity Plan, at a fair market value of \$3.90, representing the market close on date of issuance. The award was issued to an individual for services. Stock based professional fees in the amount of \$390,000 are recorded to Professional fees, on the Company's unaudited condensed consolidated statement of operations.

On February 28, 2025, the Company issued 400,000 restricted stock awards, pursuant to its 2022 Equity Plan, at a fair market value of \$3.88, representing the market close on date of issuance. The award was issued to Mr. Erdberg, the Company's CEO, as pursuant to his contractual agreement with the Company. Stock based compensation in the amount of \$1,552,500 is recorded and is represented in Salary, wages and payroll taxes on the Company's unaudited condensed consolidated statement of operations.

Also on February 28, 2025, the Company issued 100,000 restricted stock awards, pursuant to its 2022 Equity Plan, at a fair market value of \$3.88, representing the market close on date of issuance. The award was issued to an individual for services. Stock based professional fees in the amount of \$380,000 are recorded to Professional fees, on the Company's unaudited condensed consolidated statement of operations.

On March 11, 2025, the Company issued 25,000 restricted stock awards, pursuant to its 2022 Equity Plan, at a fair market value of \$3.06, representing the market close on date of issuance. The award was issued to an individual for services. Stock based professional fees in the amount of \$76,500 is recorded to Professional fees, on the Company's unaudited condensed consolidated statement of operations.

On March 20, 2025, the Company issued 12,500 restricted stock awards, outside of its 2022 Equity Plan, at a fair market value of \$2.93, representing the market close on date of issuance. The award was issued to individuals for services. Stock based professional fees in the amount of \$36,625 is recorded to Professional fees, on the Company's unaudited condensed consolidated statement of operations.

2024

During the three months ended March 31, 2024, the Company issued 50,000 vested common shares to a director for services rendered pursuant to a January 9, 2024 board of directors' agreement. The Company valued these common shares at the fair value of \$98,000, or \$1.96 per share based on sales of common stock units in recent private placements. In connection with these shares, during the three months ended March 31, 2024, the Company recorded stock-based professional fees of \$98,000.

Contributed capital

On March 31, 2025, Mr. Borkar, President of Safe-Pro USA and an employee, which is his spouse, agreed to forgive aggregate accrued salary of \$64,615, which has been recorded as contributed capital as presented on the condensed consolidated statement of shareholders' equity. See Note 11.

Representative warrants

In connection with the IPO, the Company entered into an underwriting agreement (the "Underwriting Agreement") with Dawson James Securities, Inc. Pursuant to the Underwriting Agreement, the Company issued a common stock purchase warrant to the Underwriter for the purchase of 51,000 shares of common stock at an exercise price of \$6.25, subject to adjustments (the "Warrant"). The Warrant will be exercisable at any time and from time to time, in whole or in part, during the period commencing on March 1, 2025, and ending on August 28, 2029 and may be exercised on a cashless basis under certain circumstances. The Warrant provides for registration rights (including piggyback rights) and customary anti-dilution provisions (for share dividends and splits and recapitalizations) and anti-dilution protection (adjustment in the price of the Warrant and the number of shares underlying the Warrant) resulting from corporate events (which would include dividends, reorganization, mergers and similar events). The Warrant and the common stock underlying the Warrant were registered as a part of the Registration Statement.

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

Warrants

A summary of the status of the Company's total outstanding warrants and changes during the three months ended March 31, 2025 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (1)
Balance Outstanding on December 31, 2024	125,531	\$ 4.09	3.26	\$ 90,952
Issued	12,500	4.07	5.0	-
Balance Outstanding on March 31, 2025	138,031	\$ 4.09	3.20	\$ 23,599
Exercisable, March 31, 2025	125,531	\$ 4.09	3.02	\$ 23,599

For the three months ending March 31, 2025 and 2024, the Company recorded \$794 and \$0, respectively, for stock-based compensation expense related to warrants. As of March 31, 2025, unamortized stock-based compensation for warrants was \$ 14,652 to be recognized through December 31, 2025.

The warrants granted during the three months ended March 31, 2025 were valued using the Black-Scholes option pricing model using the following weighted average assumptions:

	March 31, 2025
Expected term, in years	5.0
Expected volatility	54.41%
Risk-free interest rate	4.01%
Dividend yield	-

Warrants issued for Convertible Debt

During March 2024, the Company entered into convertible note agreements with investors pursuant to which the Company issued and sold to the Investors (i) the March 2024 Convertible Notes in the principal amount of \$275,001 and (ii) the March 2024 Warrants to purchase up to 85,938 shares of the Company's common stock at an initial exercise

price of \$1.00, subject to adjustment.

A summary of the status of the Company's total outstanding warrants and changes during the three months ended March 31, 2024 is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (1)
Balance Outstanding on December 31, 2023	611,017	\$ 1.00	2.5	\$ 574,356
Issued	85,938	1.00	3.0	-
Balance Outstanding on March 31, 2024	696,955	\$ 1.00	2.3	\$ 669,077
Exercisable, March 31, 2024	696,955	\$ 1.00	2.3	\$ 669,077

- (1) The aggregate intrinsic value on March 31, 2024 was calculated based on the difference between the calculated fair value on March 31, 2024 of \$1.96 and the exercise price of the underlying warrants. The aggregate intrinsic value on December 31, 2023 was calculated based on the difference between the calculated fair value on December 31, 2023 of \$1.94 and the exercise price of the underlying warrants.

15

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

The Company determined that the warrants do not meet the definition of liability under FASB ASC Topic 480 and therefore classified the warrants as equity instruments.

Options

A summary of the Company's stock option activity is as follows:

	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Contractual Life (Years)	Intrinsic Value
Outstanding at December 31, 2024	322,500	\$ 3.40	4.97	\$ 138,675
Granted	350,000	7.36	5.00	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at March 31, 2025	672,500	5.46	2.56	-
Exercisable at March 31, 2025	236,250	3.91	4.78	-

For the three months ending March 31, 2025 and 2024, the Company recorded \$232,918 and \$0, respectively, for stock-based compensation expense related to stock options. As of March 31, 2025, unamortized stock-based compensation for stock options was \$505,639 to be recognized through September 30, 2026.

The options granted during the three months ended March 31, 2025 were valued using the Black-Scholes option pricing model using the following weighted average assumptions:

	March 31, 2025
Expected term, in years	5.0
Expected volatility	55.79%
Risk-free interest rate	4.09%
Dividend yield	-

2022 Equity Incentive Plan

On July 1, 2022, the Company's Board of Directors authorized and adopted the 2022 Equity Incentive Plan (the "2022 Plan") and reserved 5,000,000 shares of common stock for issuance thereunder. The 2022 Plan's purpose is to encourage ownership in the Company by employees, officers, directors and consultants whose long-term service the Company considers essential to its continued progress and, thereby, encourage recipients to act in the stockholders' interest and share in the Company's success. The 2022 Plan provides for the issuance of incentive stock options, non-statutory stock options, restricted stock, restricted stock units ("RSUs"), and other stock-based awards. During the year ended December 31, 2024 and 2023, 1,082,500 and 595,000 of the Company's common shares issued for services, as described above, were issued pursuant to the 2022 Plan, respectively. During the three months ended March 31, 2025, 1,050,000 of the Company's common shares and options issued for services and compensation, as described above, were issued pursuant to the 2022 Plan. As of March 31, 2025, the Company had 1,472,500 shares available for issuance under the 2022 Plan.

16

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Legal matters

From time to time, the Company may be involved in litigation related to claims arising out of its operations in the normal course of business. As of March 31, 2025, the Company is not involved in any pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition, results of operations, or cash flows.

Product liability insurance

The Company's subsidiary, Safe-Pro USA, carries a product liability policy that covers up to \$2,000,000 of claims retroactive to June 26, 2020.

Contingent amounts due to related parties

As discussed in Note 11 – Related Party Transactions, the Company agreed to assume liability to the former members of Safe-Pro USA of \$1,622,540 as of the Safe-Pro USA acquisition date. The amount due to the former members Safe-Pro USA was originally agreed to be \$2,193,901, which was reduced to \$1,622,540 to account for certain revenues not recognized since the performance obligation was not completed and other holdbacks. On April 11, 2024, pursuant to the Fifth Amendment to Exchange Agreement, should the Company collect the 20% performance obligation in the future that the former members would be reimbursed this difference up to \$571,361. In addition, pursuant to Amendment No. 5, all further payments due under this contingent obligation of \$571,361, are to be paid from the proceeds of contracts and performance bonds, offset by certain costs associated with the contracts, from the customer the Bangladesh Ministry of Defense. On March 19, 2025, the Company received \$37,615 in regard to this contingent obligation net of commissions payable. Furthermore, the remaining balance of \$428,233 due to related party is only payable from proceeds related to contracts with the Bangladesh Ministry of Defense customer.

NOTE 10 – CONCENTRATIONS

Concentrations of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable and cash deposits.

The Company's cash is held at major commercial banks, which may at times exceed the Federal Deposit Insurance Corporation ("FDIC") limit. To date, the Company has not experienced any losses on its invested cash. As of March 31, 2025 and December 31, 2024, the Company recorded no cash in bank in excess of FDIC insured levels. In August 2024, the Company has entered into a deposit placement agreement for Insured Cash Sweep Service ("ICS"). This service is a secure, and convenient way to access FDIC protection on large deposits, earn a return, and enjoy flexibility. This will reduce the Company's risk as it relates to uninsured FDIC amounts in excess of \$250,000.

Geographic concentrations of sales

During the three months ended March 31, 2025, 21.3% of total sales were to a customer in Canada and 66.3% of total sales were to customers in the United States, respectively. During the three months ended March 31, 2024, 21.3% of total sales were to a customer in Canada and 78.7% of total sales were to customers in the United States.

Customer concentration

For the three months ended March 31, 2025, three customers accounted for approximately 94.4% of total sales (Mriya Aid 33.7%, Classic Custom 39.1% and JDET Advance Forensics 21.6%, respectively). For the three months ended March 31, 2024, three customers accounted for approximately 95.3% of total sales (Classic Custom 49.4%, Mriya Aid 21.0% and Florida Power & Light 24.8%, respectively).

17

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

For the three months ended March 31, 2024, three customers accounted for approximately 95.3% of total sales (49.5%, 21.0% and 24.8%, respectively).

A reduction in sales from or the loss of such customers would have a material adverse effect on the Company's results of operations and financial condition. On March 31, 2025, one customer accounted for 84.5% of the total accounts receivable balance. On March 31, 2024, one customer accounted for 79% of the total accounts receivable balance.

Supplier concentration

During the three months ended March 31, 2025, the Company purchased approximately 88.9% of its inventory from four suppliers (American Protection Works 10.0%, Avient Protective Materials 42.0%, Lincoln Fabrics 15.3% and Chatsuboo.net 21.7%). During the three months ended March 31, 2024, the Company purchased approximately 72.2% of its inventory from two suppliers, (Minelab Electronics 40.1% and Hextronics 42.1%).

The loss of these suppliers may have a material adverse effect on the Company's results of operations and financial condition. However, the Company believes that, if necessary, alternate vendors could supply similar products in adequate quantities to avoid material disruptions to operations.

NOTE 11 – RELATED PARTY TRANSACTIONS

Due to related parties

In connection with the Acquisition of Safe-Pro USA, the Company agreed to assume a liability due to the former member of Safe-Pro USA, who is a current director of the Company, of \$1,622,540. The Safe-Pro USA preacquisition members advanced funds to Safe-Pro USA for working capital purposes prior to the acquisition and during the 2024, 2023 and 2022 periods. Additionally, during 2024, 2023 and 2022, a company owned by the preacquisition members paid certain expenses and wages on behalf of the Company and was reimbursed for these expenses. These advances are non-interest bearing and are payable on demand but only from proceeds received from contracts the Bangladesh Ministry of Defense customer. During the nine months ended March 31, 2024, the Company repaid \$18,434 of these advances and assumed liabilities. During the year ended December 31, 2023, the Company was advanced funds of \$298,361 and repaid \$793,458 of these advances and assumed liabilities. During the period from June 8, 2022 to December 31, 2022, the Company had advanced funds of \$93,003 and repaid \$814,892 of these advances and assumed liabilities. On March 31, 2024 and December 31, 2023, amounts due to the former member amounted to \$387,120 and \$405,554, respectively, which is included in due to related parties on the accompanying unaudited consolidated balance sheets. See Note 9 – Contingent amounts due to related parties.

On March 31, 2025, Mr. Borkar waived accrued salary in aggregate of \$56,538, as due under his Employment Agreement and subsequent 4th Amendment to the Share Exchange Agreement. For the year ended December 31, 2024, approximately \$32,308 was waived and was recorded as contributed capital as of March 31, 2025, see Note 8. For the three months ended March 31, 2025, approximately \$24,231 was waived and recorded as an offset to wages on the Company's unaudited condensed consolidated statement of operations. For the three months ended March 31, 2025, the accrued wages balance for Mr. Borkar was \$10,508.

On March 31, 2025, a spouse of Mr. Borkar waived the accrued salary in aggregate of \$56,538, as due under her Employment Agreement and subsequent 4th Amendment to the Share Exchange Agreement. For the year ended December 31, 2024, approximately \$32,308 was waived and was recorded as contributed capital as of March 31, 2025, see Note 8. For the three months ended March 31, 2025, approximately \$24,231 was waived and recorded as an offset to salary wages and payroll taxes on the Company's unaudited condensed consolidated statement of operations. For the three months ended March 31, 2025, the accrued wages balance for the spouse of Mr. Borkar was \$10,508.

For the three months ended March 31, 2025 and 2024, the Company recorded net wages of \$27,692.28, for the spouse of Mr. Borkar.

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

Related party purchases

During the three months ended March 31, 2025 and 2024, the Company purchased inventory and services from a company owned by the spouse of Mr. Borkar, in the amount of \$4,599 and \$0, respectively, which is included in cost of sales on the accompanying unaudited consolidated statements of operations.

NOTE 12 – OPERATING LEASE RIGHT-OF-USE ("ROU") ASSETS AND OPERATING LEASE LIABILITIES

On July 13, 2022, and effective on August 1, 2022, the Company entered into a 36-month lease agreement for the lease of office space under a non-cancelable operating lease through July 31, 2025. During the term of lease, the Company shall pay base rent of \$2,704 from August 1, 2022 to July 1, 2023, with escalation of the base rent of 4% per year thereafter on the anniversary date of the lease. The Company is to pay the base rental rate plus common area assessments and sales tax for the lease payments. In connection with this lease, on August 1, 2022, the Company incurred right of use assets and lease liabilities of \$92,509.

In July 2021, Safe-Pro USA entered into a 62-month lease agreement for the lease of office, manufacturing and warehouse space under a non-cancelable operating lease through September 30, 2026. During the term of lease, the Company shall pay base rent of \$3,043 from August 1, 2021 to September 30, 2022, with escalation of the base rent of 4% per year thereafter on the anniversary date of the lease. The Company is to pay the base rental rate plus common area assessments and sales tax for the lease payments. Common area assessments and sales tax for the lease payments are expensed monthly as incurred. In connection with the Company's acquisition of Safe-Pro USA, on June 7, 2022, the Company acquired right of use assets and assumed lease liabilities of \$154,265 and \$156,963, respectively.

In April 2024, Airborne Response entered into a 39-month lease agreement for the lease of a vehicle under a non-cancelable operating lease through July 2027. During the term of lease, the Company shall pay base rent of \$296 from April 2024 to July 2027. In connection with the signing of the vehicle lease, the Company's recorded a right of use assets and lease liabilities of \$19,583 and \$9,835, respectively.

In adopting ASC Topic 842, Leases (Topic 842) on January 1, 2022 the Company had elected the 'package of practical expedients, which permitted it not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs (see Note 2). In addition, the Company elected not to apply ASC Topic 842 to arrangements with lease terms of 12 months or less. Upon signing of new leases for property and equipment, the Company analyzed the new leases and determined it is required to record a lease liability and a right of use asset on its consolidated balance sheets, at fair value.

During the three months ended March 31, 2025, in connection with its operating property leases, the Company recorded rent expense of \$23,272, and for the three months ended March 31, 2024, the company recorded rent expense of \$22,710, which is expensed during the period and included in general and administrative expenses on the accompanying unaudited consolidated statements of operations.

The significant assumption used to determine the present value of the lease liabilities on August 1, 2022 and June 7, 2022, and April 2024 was a discount rate ranging from 3.75%, 6.0% and 7.5%, which was based on the Safe-Pro USA's, the Company's and Airborne Response estimated average incremental borrowing rate, respectively.

On March 31, 2025 and December 31, 2024, right-of-use asset ("ROU") is summarized as follows:

	March 31, 2025	December 31, 2024
Office lease right of use assets	\$ 277,514	\$ 277,514
Auto lease right of use asset	19,583	19,583
Less: accumulated amortization	(214,346)	(195,476)
Balance of ROU assets	<u>\$ 82,751</u>	<u>\$ 101,621</u>

19

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

Other information:

	March 31, 2025	December 31, 2024
Weighted average remaining lease term – operating leases	1.32 years	1.57 years
Weighted average discount rate – operating leases	4.60%	4.60%

On March 31, 2025 and December 31, 2024, operating lease liabilities related to the ROU assets are summarized as follows:

	March 31, 2025	December 31, 2024
Lease liabilities related to office lease right of use assets	\$ 72,962	\$ 91,113
Lease liabilities related to auto lease right of use asset	6,842	7,595
Less: current portion of lease liabilities	(54,599)	(63,115)
Lease liabilities – long-term	<u>\$ 25,205</u>	<u>\$ 35,592</u>

On March 31, 2025, future minimum base lease payments due under non-cancelable operating leases are as follows:

Twelve months ended March 31,	Amount
2025	\$ 45,582
2026	35,592
2027	1,183
Total minimum non-cancellable operating lease payments	82,358
Less: discount to fair value	(2,554)
Total lease liabilities on March 31, 2025	<u>\$ 79,804</u>

NOTE 13 – SEGMENT REPORTING

During the three months ended March 31, 2025 and 2024, the Company operated in three reportable business segments which consisted of (1) the business of Safe-Pro USA, (2) the business of Airborne Response, and (3) the business of Safe Pro AI. The Company's reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations and locations.

20

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

Information with respect to these reportable business segments for the three months ended March 31, 2025 and 2024 was as follows:

	For the Three Months Ended March 31,	
	2025	2024
Revenues:		
Safe-Pro USA	\$ 140,600	\$ 222,356
Airborne Response	4,204	85,297
Safe Pro AI	39,998	-
	<u>184,802</u>	<u>307,653</u>
Depreciation and amortization (a):		
Safe-Pro USA	26,978	27,312
Airborne Response	29,099	32,998
Safe Pro AI	46,928	-
Other (b)	361	367
	<u>103,366</u>	<u>60,677</u>
Interest expense:		
Safe-Pro USA	94	-
Airborne Response	201	2,142
Safe Pro AI	-	-
Other (b)	1,350	56,832
	<u>1,645</u>	<u>58,974</u>
Net (loss) income:		
Safe-Pro USA	(65,689)	(63,477)
Airborne Response	(146,425)	(144,667)
Safe Pro AI	(146,931)	(85,937)
Other (b)	(3,605,972)	(849,779)
	<u>\$ (3,965,017)</u>	<u>\$ (1,143,860)</u>

- (a) Depreciation is recorded in Safe-Pro USA, Airborne Response and Safe Pro AI in cost of sales on the Company's condensed consolidated unaudited statement of operations in cost of sales and has been described above, separately.
- (b) The Company does not allocate any general and administrative or financing expenses of its holding company activities to its reportable segments, because these activities are managed at the corporate level.

	March 31, 2025	December 31, 2024
Identifiable long-lived tangible assets, net by segment:		
Safe-Pro USA	\$ 30,446	\$ 45,553
Airborne Response	173,339	197,291
Safe Pro AI	905,631	845,801
Other (a)	-	-
	<u>\$ 1,109,416</u>	<u>\$ 1,088,645</u>

NOTE 14 – SUBSEQUENT EVENTS

On May 9, 2025, Safe Pro Group Inc. (the "Company") closed on a private offering pursuant to certain Securities Purchase Agreements (each, an "Agreement") with certain accredited investors (the "Investors"), pursuant to which the Investors purchased: (i) 1,050 shares of Series C convertible preferred stock (the "Preferred Stock") a price of \$1,000 per share of Preferred Stock for aggregate gross proceeds of \$1.05 million, and (ii) three-year warrants to purchase the number of shares of Company's common stock ("Common Stock") equal to the number of Conversion Shares (defined below) underlying the Preferred Stock on the date of issuance at an exercise price of \$2.93 per share (the "Warrants").

21

SAFE PRO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(unaudited)

Series C Convertible Preferred Stock

In connection with the signing of the Agreements, the Company designated 2,000 shares of the Company's authorized and unissued preferred stock as Series C Preferred Stock and established the rights, preferences and privileges of the Preferred Stock pursuant to the Certificate of Designations of Rights and Preferences of the Series C Preferred Stock (the "Certificate of Designations"), which was filed with the Secretary of State of the State of Delaware, as summarized below:

General. Each share of Preferred Stock has a stated value (the "Stated Value") of \$1,100 per share and, when issued, the Preferred Stock will be fully paid and non-assessable.

Dividends. The holders of Preferred Stock will be entitled to receive dividends on an as-converted basis equal to and at the time as any dividends are paid to the holders of the Common Stock.

Conversion at Option of Holder. Each holder of Preferred Stock may convert all, or any part, of the Stated Value the outstanding Preferred Stock, at any time at such holder's option, into shares of the Common Stock (which converted shares of Common Stock are referred to as "Conversion Shares" herein) at an initial fixed "Conversion Price" of \$2.25, which is subject to proportional adjustment upon the occurrence of any stock split, stock dividend, stock combination and/or similar transactions.

Company Optional Redemption. At any time, the Company shall have the right to redeem in cash all, or a portion of, the shares of Preferred Stock then outstanding at a price equal to \$1,100 per share of Preferred Stock.

Liquidation Preference. Upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, the Preferred Stock shall be entitled to receive in cash out of the assets of the Company, an amount equal to the Stated Value per share of Preferred Stock, before any payments are made or distributed to the holders of the Common Stock.

Change of Control Exchange. Upon a change of control of the Company, each holder may require the Company to exchange the holder's shares of Series A Preferred Stock for consideration equal to the Change of Control Election Price (as defined in the Certificate of Designations), to be satisfied at the Company's election in either (x) cash or (y) rights convertible into such securities or other assets to which such holder would have been entitled with respect to such shares of Common Stock had such shares of Common Stock been held by such holder upon consummation of such corporate event.

Voting Rights. The holders of the Preferred Stock shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock.

Warrants

Subject to certain ownership limitations, each of the Warrants is immediately exercisable, will have an exercise price of \$2.93 per share, and expire three years from the date of issuance. The Warrants may only be exercised on a cashless basis if there is no registration statement registering, or a prospectus contained therein is not available for, the resale of the shares of common stock underlying the Warrants. The holder of a Warrant is prohibited from exercising of any such warrants to the extent that such exercise would result in the number of shares of common stock beneficially owned by such holder and its affiliates exceeding 4.99% or 9.99% (at the election of the Investor) of the total number of shares of common stock outstanding immediately after giving effect to the exercise.

Pursuant to the Agreement, the Company agreed to use its best efforts to file a registration statement registering the resale of the Common Stock underlying the Preferred Stock and Warrants within thirty calendar days from the closing.

22

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and related notes thereto included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. See the section titled "Risk Factors" in our Form 10-K dated March 31, 2025 as filed with the Securities and Exchange Commission (the "SEC"), pursuant to Rule 4245(b)(4) under the Securities Act of 1933, as amended (the "Securities Act"), which is available on the SEC's EDGAR website at www.sec.gov, for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under "Risk Factors" and elsewhere in this Form 10-Q.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q includes forward-looking statements. These statements involve risks known to us, significant uncertainties, and other factors which may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by those forward-looking statements.

Some of the statements used in this report constitute "forward-looking statements" that represent our beliefs, projections and predictions about future events. Forward-looking statements are all statements other than statements of historical fact, including statements that refer to plans, intentions, objectives, goals, targets, strategies, hopes, beliefs, projections, prospects, expectations or other characterizations of future events or performance, and assumptions underlying the foregoing. The words "may," "could," "should," "would," "will," "project," "intend," "continue," "believe," "anticipate," "estimate," "forecast," "expect," "plan," "potential," "opportunity," "scheduled," "goal," "target," and "future," variations of such words, and other comparable terminology and similar expressions and references to future periods are often, but not always, used to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements about the following:

- our prospects, including our future business, revenues, expenses, net income, earnings per share, gross margins, profitability, cash flows, cash position, liquidity, financial condition and results of operations, backlog of orders and revenue, our targeted growth rate, our goals for future revenues and earnings, and our expectations about realizing the revenues in our backlog and in our sales pipeline;
- the effects on our business, financial condition, and results of operations of current and future economic, business, market and regulatory conditions, including the current economic and market conditions and their effects on our customers and their capital spending and ability to finance purchases of our products, services, technologies and systems;
- the effects of fluctuations in sales on our business, revenues, expenses, net income, earnings per share, margins, profitability, cash flows, capital expenditures, liquidity, financial condition, and results of operations;
- our products, services, technologies, and systems, including their quality and performance in absolute terms and as compared to competitive alternatives, their benefits to our customers and their ability to meet our customers' requirements, and our ability to successfully develop and market new products, services, technologies and systems;
- our markets, including our market position and our market share;

23

- our ability to successfully develop, operate, grow and diversify our operations and businesses;

- our business plans, strategies, goals and objectives, and our ability to successfully achieve them;
- the sufficiency of our capital resources, including our cash and cash equivalents, funds generated from operations, availability of borrowings under our credit and financing arrangements and other capital resources, to meet our future working capital, capital expenditure, lease and debt service and business growth needs;
- the value of our assets and businesses, including the revenues, profits and cash flows they are capable of delivering in the future;
- the effects on our business operations, financial results, and prospects of business acquisitions, combinations, sales, alliances, ventures and other similar business transactions and relationships;
- industry trends and customer preferences and the demand for our products, services, technologies and systems; and
- the nature and intensity of our competition, and our ability to successfully compete in our markets.

These statements are necessarily subjective, are based upon our current plans, intentions, objectives, goals, strategies, beliefs, projections and expectations, and involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements described in or implied by such statements. Actual results may differ materially from expected results described in our forward-looking statements, including with respect to correct measurement and identification of factors affecting our business or the extent of their likely impact, the accuracy and completeness of the publicly available information with respect to the factors upon which our business strategy is based, or the success of our business. Furthermore, industry forecasts are likely to be inaccurate, especially over long periods of time.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of whether, or the times by which, our performance or results may be achieved. Forward-looking statements are based on information available at the time those statements are made and management's belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that may cause actual results, our performance or achievements, or industry results to differ materially from those contemplated by such forward-looking statements include, without limitation, those discussed under the caption "Risk Factors" in our Annual Report on Form 10-K as filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended.

Business Overview

We were incorporated in the State of Delaware on December 15, 2021. Safe Pro Group Inc. is the parent company of Airborne Response Corp. and Safe-Pro USA, LLC, which were both incorporated in Florida, in 2016 and 2008, respectively. On March 9, 2023, Safe Pro Group Inc. acquired Safe Pro AI LLC (formerly known as Demining Development LLC), a privately held developer of Artificial Intelligence ("AI") and Machine Learning ("ML") software technology for processing of drone-based imagery and data. We are a company focused on innovative security and protection solutions, specifically, advanced artificial intelligence / machine learning (AI/ML) software technology for the creation of robust datasets sourced from the analysis of aerial imagery, bullet and blast resistant personal protection equipment and providing mission-critical aerial managed services.

24

Through a layered approach to the development and integration of advanced technologies in artificial intelligence, drone-based remote sensing technologies and services, and personal protective gear, Safe Pro Group seeks to provide government, NGOs and enterprises with innovative solutions designed to respond to evolving threats.

Principle of Consolidation

Our consolidated financial statements included in this report include our accounts and those of our subsidiaries: Airborne Response Corp., Safe-Pro USA LLC, and Safe Pro AI LLC from their respective dates of acquisition.

Supplier concentration

During the three months ended March 31, 2025, the Company purchased approximately 88.9% of its inventory from four suppliers (American Protection Works 10.0%, Avient Protective Materials 42.0%, Lincoln Fabrics 15.3% and Chatsuboo.net 21.7%). During the three months ended March 31, 2024, the Company purchased approximately 72.2% of its inventory from two suppliers, (Minelab Electronics 40.1% and Hextronics 42.1%).

The loss of these suppliers may have a material adverse effect on the Company's results of operations and financial condition. However, the Company believes that, if necessary, alternate vendors could supply similar products in adequate quantities to avoid material disruptions to operations.

Segment Information

The Company uses "the management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company's chief operating decision maker is the chief executive officer of the Company, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. During the three months ended March 31, 2025 and 2024, the Company operated in three reportable business segments which consisted of (1) the business of Safe-Pro USA, (2) the business of Airborne Response, and (3) the business of Safe Pro AI. The Company's reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations and locations.

Significant Components of Our Results of Operations

Revenues. Our revenues are generated primarily from the sale of our products, which consist primarily of personal protective gear ("PPE") and ballistic protective equipment including Explosive Ordnance Disposal ("EOD") and blast and fragmentation resistant vests and body armor, as well as aerial managed services (drones) for the inspection of customer's critical infrastructure including radio towers and power grids. At contract inception, we assess the goods and services promised in the contract with customers and identify a performance obligation for each. To determine the performance obligation, we consider all products and services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. The timing of satisfaction of the performance obligation is not subject to significant judgment. We measure revenue as the amount of consideration expected to be received in exchange for transferring goods and services. We generally recognize product revenues at the time of shipment, provided that all other revenue recognition criteria have been met.

Cost of Goods Sold and Gross Profit. Gross profit has been and will continue to be affected by various factors, including changes in our supply chain and the evolving product mix. The margin profile of our current products and future products will vary depending on operating performance, features, materials, manufacturer and supply chain. Gross margin will vary as a function of changes in pricing due to competitive pressure, our third-party manufacturing, labor costs for services and depreciation for our drone related fixed assets and our production costs, which includes depreciation related costs for manufacturing equipment, costs of shipping and logistics, provision for excess and obsolete inventory and other factors. We expect our gross margins will fluctuate from period to period depending on the interplay of these various factors.

25

Operating Expenses. We classify our operating expenses as salary, wages and payroll taxes, research and development, professional fees, selling, general, administrative, non-production and services related depreciation and amortization. Additionally, we separate depreciation and amortization expense into its own category.

Salary, Wages and Payroll Taxes. Salaries are representative of officer and stock-based compensation and administrative personnel costs. The salary and wages associated payroll tax is reflected here as well.

Research and Development expenses consist of costs associated with personnel and contractor fees associated with the design and development of our products, product certification, travel, recruiting and information technology. Development costs incurred prior to establishment of technological feasibility were expensed as incurred. Software development costs related to design enhancement of the product are capitalized. We expect our research and development costs to continue to increase as we develop new products and modify existing products to meet the changes within our markets.

Professional Fees primarily represent certain costs for legal, audit, accounting, public company expense, investor relations, consulting fees and share-based compensation for services.

Selling, General and Administrative expenses consist of expenses associated with our training programs, trade shows, marketing programs, promotional materials, demonstration equipment, commissions payable, national and local regulatory approvals of our products, travel, entertainment, recruiting, operating supplies such as, computer equipment, drones, EOD testing supplies; and facilities and other supporting overhead costs. For the year ending December 31, 2025, we expect selling, general and administrative expenses to increase, as we ramp up our sales and marketing expansion efforts to correspond with our increased production efforts, relating to our personal protective gear, the availability of additional AI-powered image processing solutions and new drone-based services such as Drone as a First Responder (DFR).

Depreciation and Amortization expense consists of depreciation related to computer and related office equipment, as well as amortization related to finite-lived intangibles.

Interest Expense is comprised of interest expense associated with our secured notes payable and convertible notes. The amortization of debt discounts is also recorded as part of interest expense.

Provision for Income Taxes. Current and deferred income tax expense or benefit in any given period will depend upon a number of events and circumstances, one of which is the income tax net income or loss from operations for the period which is usually different from the U.S. GAAP net income or loss, for the period due to differences in tax laws and timing differences. Management assesses our deferred tax assets in each reporting period, and if it is determined that it is not more likely than not to be realized, we will record a change in our valuation allowance in that period.

Results of Operations

Comparison of the Three Months Ended March 31, 2025 and 2024

For the Three Months Ended March 31, 2025 and 2024:

	March 31, 2025	March 31, 2024	Change	%
REVENUES:				
Product Sales	\$ 140,600	\$ 222,356	\$ (81,756)	(36.8)%
Services	44,202	85,297	(41,095)	(48.2)%
Total Revenues	184,802	307,653	(122,851)	(39.9)%
COST OF REVENUES:				
Product sales	92,316	136,217	(43,901)	(32.2)%
Services	12,256	29,145	(16,889)	(57.9)%
Cost of depreciation	18,664	15,076	3,588	23.8%
Total Cost of Revenues	123,236	180,438	(57,202)	(31.7)%
Gross profit	61,566	127,215	(65,649)	(51.6)%
Operating expenses:				
Salary, wages and payroll taxes:				
Salary, wages and payroll taxes	445,258	434,578	10,680	2.5%
Stock based compensation	1,579,285	-	1,579,285	100.0%
Total salary wages and payroll taxes	2,024,543	434,578	1,589,965	365.9%
Research and development	-	85,777	(85,777)	(100.0)%
Professional fees:				
Professional fees - other	512,096	362,773	149,323	41.2%
Stock based compensation – professional fees	1,090,052	98,000	992,052	1012.3%
Total Professional fees	1,602,148	460,773	1,141,375	247.7%
Selling, general and administrative expenses	355,863	185,372	170,491	92.0%
Depreciation and amortization	84,702	45,601	39,101	85.7%
Total operating expenses	4,067,256	1,212,101	2,855,155	235.6%
Loss from operations	(4,005,690)	(1,084,886)	(2,920,804)	269.2%
Other income (expense):				
Other income	29,615	-	29,615	100.0%
Interest income	12,703	-	12,703	100.0%
Interest expense	(1,645)	(58,974)	57,329	(97.2)%
Total other income (expense)	40,673	(58,974)	99,647	(169.01)%
Net loss	\$ (3,965,017)	\$ (1,143,860)	\$ (2,821,157)	246.6%

Net Revenue. For the three months ended March 31, 2025 and 2024, revenues generated were \$184,802 and \$307,653, a decrease of \$122,851 or 39.9%. Comparable sales for Safe-Pro USA were \$140,600 for the three months ended March 31, 2025 as compared to \$222,356 for the same period in 2024, a decrease of \$81,756 or 36.8%. Comparable sales for Airborne Response were \$4,204 for the three months ended March 31, 2025 as compared to \$85,297 for the same period in 2024, a decrease of \$81,093 or 95.1%. For the three months ended March 31, 2025 and 2024, sales for Safe Pro AI were \$39,998 and \$0. The decrease in revenue was attributable to security services budgetary cuts made in Federal Funding in

January 2025. We expect this reduction to be temporary until such time a new budget is approved. We are also outsourcing our efforts in finding new customers which specialize in security services for the private sector in US and internationally. The company's contractual obligation with a customer, Florida Power and Light, required certain training, which occurred in the first quarter of 2025. We expect revenue to resume to normal levels in the second quarter of 2025.

Cost of Revenue. During the three months ended March 31, 2025 and 2024, cost of revenues decreased to \$123,236 compared to \$180,438, a decrease of \$57,202, or 31.7%. Gross profit margins were 33.3% and 41.4%, respectively. The decrease in cost of revenue is attributable to the decrease in revenue of services at a higher gross profit margin. The decrease in margin was attributable to a decrease in sales for services which have a higher gross profit margin. We expect our cost of revenues to continue to increase during fiscal 2025 and beyond, as we expand our operations and begin generating additional revenues under our current business. However, we are unable at this time to estimate the amount of the expected increases.

27

Operating Expenses. Total operating expenses for the three months ended March 31, 2025 and 2024 were \$4,067,256 and \$1,212,101, an increase of \$2,855,155 or 235.6%. Factors resulting in the increase are described more fully below.

Salaries, wages and payroll taxes. Total salaries, wages and payroll taxes for the three months ended March 31, 2025 and 2024 were \$2,024,543 and \$434,578, an increase of \$1,589,965 or 365.9%. The increases were primarily attributable to stack based compensation of \$1,579,285, pursuant to certain contractual obligations relating to an employment agreement.

Research and Development expenses were \$0 and \$85,777, for the three months ended March 31, 2025 and 2024, respectively, a decrease of \$85,777 or 100.0%. The decrease is primarily attributable to the Company's a reduction of development costs to its trademarked product, Spotlight AI™, which was put into service on July 1, 2024.

Professional fees were \$1,062,148 and \$460,773 for the three months ended March 31, 2025 and 2024, respectively, an increase of \$1,141,375 or 247.7%. The increases for the three months ended March 31, 2025 and 2024, are related to an increase in non-cash expenses for share-based compensation of \$992,052 and an increase in accounting, legal fees, public company expense and director fees of \$200,036, offset by a decrease of other professional fees of \$50,712.

Selling, general and administrative expenses were \$355,863 and \$185,372 for the three months ended March 31, 2025 and 2024, respectively, an increase of \$170,491 or 92.0%. The increases are attributable to increases in D&O insurance expense, advertising and contractor fees.

Depreciation and amortization expenses were \$84,702 and \$45,601 for the three months ended March 31, 2025 and 2024, respectively, an increase of \$39,101, or 85.7%. The increase was related to amortization of finite lived intangible asset technologies.

We expect our expenses in each of these areas to continue to increase during fiscal 2025 and beyond as we expand our operations and begin generating additional revenues for our current business. However, we are unable at this time to estimate the amount of the expected increases.

Total Other (Income) Expense. Our total other expenses were \$(40,673) compared to \$58,974, during the three months ended March 31, 2025 and 2024 respectively, an increase of other income of \$42,318 or 100.0% and a decrease in interest expense of \$57,329. The increase is primarily attributed to a decrease in interest expense related to convertible debt which was offset by an increase of interest income of \$12,703 and other income \$29,615.

Net Loss. We recorded a net loss of \$3,965,017 for the three months ended March 31, 2025 as compared to a net loss of \$1,143,860, for the three months ended March 31, 2024. The increase is a result of the factors as described above.

Consolidated Balance Sheet Data:

	March 31, 2025 (Unaudited)	December 31, 2024	Change	%
Cash	\$ 912,219	\$ 1,970,719	\$ (1,058,500)	(53.7)%
Property and equipment, net	314,103	314,881	(778)	(0.2)%
Current assets	1,485,653	2,750,129	(1,264,476)	(46.0)%
Total assets	3,686,590	4,949,943	(1,263,353)	(25.5)%
Current liabilities	872,025	893,926	(21,901)	(2.4)%
Working capital	613,628	1,856,203	(1,242,575)	(66.9)%
Total liabilities	1,043,230	1,075,518	(32,288)	(3.0)%
Additional paid in capital	20,857,611	18,123,723	2,733,888	15.1%
Accumulated deficit	(18,215,768)	(14,250,751)	(3,965,017)	27.8%
Total stockholders' equity	\$ 2,643,360	\$ 3,874,425	\$ (1,231,065)	(31.8)%

28

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At March 31, 2025, we had a cash balance of \$912,219 and working capital of \$613,628.

Our current assets at March 31, 2025 decreased by \$1,264,476, or 46.0%, to \$1,485,653 from \$2,750,129, from December 31, 2024. The decreases included cash of \$1,058,500, accounts receivable of \$107,901, inventory of \$28,344 and prepaid expenses and other current assets of \$69,731.

Our current liabilities at March 31, 2025 decreased to \$872,025 from \$893,926 or an increase of \$21,901, or 2.4% from December 31, 2024. The decrease is comprised of increases in; accounts payable of \$106,247, accrued expenses \$33,316, due to related parties of \$6,610 and offset by decreases in; accrued compensation of \$102,532, current portion of lease liabilities of \$8,516, and contract liabilities of \$57,026.

Operating Activities

Net cash flows used in operating activities for the three months ended March 31, 2025 amounted to \$941,751 and were primarily attributable to our net loss of \$3,965,017, offset by depreciation and amortization expense of \$103,366 and stock-based compensation and professional fees of \$2,435,625 and fair value of options and warrants of \$233,712. Changes in operating assets and liabilities were reflected by increases in; inventory of \$28,344, prepaid and other current assets of \$69,731, accounts payable of \$106,247, accrued expenses of \$97,931, accrued compensation of \$102,532; and offset by decreases in accounts receivable of \$107,901, lease liabilities \$33 and contract liabilities of \$57,026.

Net cash flows used in operating activities for the three months ended March 31, 2024 amounted to \$568,016 and were primarily attributable to our net loss of \$1,143,860 and lease costs of \$6, offset by depreciation and amortization expense of \$60,677, stock-based compensation and professional fees of \$98,000 and amortization of debt discount of

\$36,785. Changes in operating assets and liabilities were reflected by increases in; inventory of \$ 43,480, prepaid and other current assets of \$163,113, contract liabilities of \$343,517, accrued compensation of \$187,559; and offset by decreases in accounts receivable of \$90,491, accounts payable \$14,083 and accrued expenses of \$20,503.

Investing Activities

Net cash flows used in investing activities were \$123,359 and \$0, for the three months ended March 31, 2025 and 2024, respectively. During the three months ended March 31, 2025, we purchased property and equipment of \$18,247 and investment in intangible technologies of \$105,112.

Financing Activities

Net cash flows provided by financing activities were \$6,610 and \$264,255 for the three months ended March 31, 2025 and 2024, respectively.

During the three months ended March 31, 2025, we had related party advances of \$15,816 and related party repayments of \$9,206.

Net cash flows provided by (used in) financing activities were \$264,255, for the three months ended March 31, 2024. During the three months ended March 31, 2024, we had proceeds from the sale of convertible notes payable of \$275,001, offset by repayments due to related party for \$10,746.

Critical Accounting Policies and Estimates

The following is not intended to be a comprehensive list of our accounting policies or estimates. Our significant accounting policies are more fully described in Note 2 — Summary of Significant Accounting Policies in the Notes. In preparing our consolidated financial statements and accounting for the underlying transactions and balances, we apply our accounting policies and estimates as disclosed in the Notes. We consider the policies and estimates discussed below as critical to an understanding of our consolidated financial statements because their application places the most significant demands on our judgment, with financial reporting results dependent on estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Specific risks for these critical accounting estimates are described in the following paragraphs. Preparation of our financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Besides estimates that meet the "critical" accounting estimate criteria, we make many other accounting estimates in preparing our consolidated financial statements and related disclosures. All estimates, whether or not deemed critical, affect reported amounts of assets, liabilities, revenue and expenses as well as disclosures of contingent assets and liabilities. Estimates are based on experience and other information available prior to the issuance of the financial statements. Materially different results can occur as circumstances change and additional information becomes known, including for estimates that we do not deem "critical."

Accounts receivable and other receivables

The Company adopted ASC 326 "Financial Instruments – Credit Losses" on January 1, 2023. The Company recognizes an allowance for losses on accounts receivable and other receivables in an amount equal to the estimated probable losses net of recoveries under the current expected credit loss method. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts or other accounts considered at risk or uncollectible. The bad debt expense associated with the allowance for doubtful accounts related to accounts receivable and other receivables is recognized in selling, general and administrative expenses.

Revenue recognition

In accordance with ASU Topic 606 - Revenue from Contracts with Customers, the Company recognizes revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) 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.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company offers a warranty on its manufactured products. The Company considered the need to make an accrual for warranty expenses that may be incurred. Historically, the Company has incurred no warranty expense and accordingly, the Company believes that no warranty expense accrual is deemed necessary.

Safe-Pro USA

Safe-Pro USA recognizes revenue when, or as, the performance obligation is satisfied. Performance obligations are determined through a review of customer contracts and may differ between customers depending upon contract terms. Revenue from product sales is recognized when the related goods are shipped whereas revenue from training and inspection activities is recognized when the services are completed, and payment is probable. Discounts in multiple elements sold as a single arrangement are allocated proportionately to the individual elements based on the fair value charged when the element is sold separately.

Airborne Response

Airborne Response recognizes revenue when, or as, the performance obligation is satisfied. Performance obligations are determined through a review of customer contracts and may differ between customers depending upon contract terms. Revenues from services are recognized at a point in time when Airborne Response completes services pursuant to its agreements with clients and collectability is probable.

Safe Pro AI

Safe Pro AI sells subscriptions and licenses to its customers for the use of its software under a software-as-a-service subscription model ("SaaS"), which will allow for the rapid, automated processing of aerial and ground-based imagery uploaded by customers, making it an ideal solution for a number of applications including defense, demining, in law enforcement and border security. Safe Pro AI's, SaaS offerings are sold under a license or prepaid or postpaid, usage-based pricing system pursuant to a tiers model, allowing customers to choose the subscription level to be charged based upon their intended usage. The subscription tiers will utilize declining prices as the volume grows. Under this model, customers are charged an upfront fee based upon the number of gigapixels of aerial images uploaded into the system for processing. For customer convenience, Safe Pro AI will initially charges data processing fees on a per hectare basis (1 hectare = 1,000 square meters). Under prepaid pay-as-you-go plans, revenues related to contracts that do not include a specified contract period are recognized upon usage by the customer and satisfaction of the Company's performance obligation. These usage-based revenues are

constrained to the amount the Company expects to be entitled to and receive in exchange for providing access to its platform. If professional services are deemed to be distinct, revenue is recognized as services are performed. The Company does not view the signing of the contract or the provision of initial setup services as discrete earnings events that are distinct.

Goodwill and intangible assets

The Company's business acquisitions typically result in the recording of goodwill and other intangible assets, which affect the amount of amortization expense and possibly impairment write-downs that the Company may incur in future periods.

Intangible assets are carried at cost less accumulated amortization for finite-lived assets, computed using the straight-line method over the estimated useful life, less any impairment charges.

Goodwill represents the excess of the purchase price paid over the fair value of the net assets acquired in business acquisitions. Goodwill is not subject to amortization but is subject to impairment tests at least annually. The Company reviews the carrying amounts of goodwill by reporting unit at least annually, or when indicators of impairment are present, to determine if goodwill may be impaired. To test goodwill impairment, the Company may first assess qualitative factors to determine whether it is more likely than *not* that the fair value of goodwill is less than its carrying value. The Company would not be required to quantitatively determine the fair value of goodwill unless it determines, based on the qualitative assessment there are indicators of impairment. Under the quantitative test of goodwill, the Company compares the fair value of the reporting unit to its carrying value, including goodwill. If the carrying value exceeds the fair value, then the goodwill is impaired by the excess amount. The Company performs its annual testing for goodwill during the fourth quarter of each fiscal year or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit.

Intangible assets, net consists of contractual employment agreements, customer relationships and acquired capitalized internal-use software. All intangible assets determined to have finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows. The Company periodically evaluates both finite and indefinite lived intangible assets for impairment upon occurrence of events or changes in circumstances that indicate the carrying amount of intangible assets may not be recoverable.

Impairment of long-lived assets

In accordance with ASC Topic 360, the Company reviews long-lived assets, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, or at least annually. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value.

31

Stock-based compensation

Stock-based compensation is accounted for based on the requirements of ASC 718 – "*Compensation – Stock Compensation*", which requires recognition in the consolidated financial statements of the cost of employee, director, and non-employee services received in exchange for an award of equity instruments over the period the employee, director, or non-employee is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee, director, and non-employee services received in exchange for an award based on the grant-date fair value of the award. The Company has elected to recognize forfeitures as they occur as permitted under the FASB's Accounting Standards Update ("ASU") 2016-09 *Improvements to Employee Share-Based Payment*.

Business acquisitions

The Company accounts for business acquisitions using the acquisition method of accounting where the assets acquired, and the 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 is subjective in nature and often involves the use of significant estimates and assumptions, including, but not limited to, the selection of appropriate valuation methodology, projected revenue, expenses, and cash flows, weighted average cost of capital, discount rates, and estimates of terminal values. Business acquisitions are included in the Company's consolidated financial statements as of the date of the acquisition.

Asset Acquisitions

The Company evaluates acquisitions pursuant to ASC 805, "*Business Combinations*," to determine whether the acquisition should be classified as either an asset acquisition or a business combination. Acquisitions for which substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or a group of similar identifiable assets are accounted for as an asset acquisition. For acquisitions of an asset or a group of assets that does not constitute a business, the Company applies ASC 805-50 which provides guidance on acquisitions of assets rather than a business. Acquisitions of assets are accounted for using the cost accumulation and allocation model. For asset acquisitions, the Company allocates the purchase price of these acquired assets on a relative fair value basis and capitalizes direct acquisition related costs as part of the purchase price. Acquisition costs that do not meet the criteria to be capitalized are expensed as incurred and presented in general and administrative costs in the consolidated statements of operations, if any.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Management, with the participation of our Chief Executive Officer, who is our principal executive officer, and Chief Financial Officer, who is our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2025. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files 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 a company in the reports that we file or submit under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, 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 the evaluation of our disclosure controls and procedures as of March 31, 2025, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were ineffective due to the material weakness in internal control over financial reporting discussed below.

32

Managements' Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our board of directors, management and other personnel 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions;
- 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 authorization of our management and directors; and

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

Management assessed the effectiveness of our internal control over financial reporting as of March 31, 2025. In making this assessment, management used the criteria set forth in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of March 31, 2025, management identified a material weakness related to segregation of duties and inventory management. Specifically, due to limited resources and headcount we did not have multiple people in the accounting function for a full segregation of duties and reliance on outside consultants for external reporting and the implementation of an inventory management software system, which the Company has implemented and is in the process of evaluating its processes.

Based on this assessment, management concluded that we did not maintain effective internal control over financial reporting as of March 31, 2025, based on the criteria in Internal Control – Integrated Framework (2013).

Plan for Remediation of Material Weakness

We plan to engage a third party to conduct a full assessment of our controls and procedures at the time when resources become available.

Changes in Internal Control over Financial Reporting

Except as disclosed above, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company may become involved in litigation relating to claims arising out of our operations in the normal course of business. The Company is not currently involved in any pending legal proceeding or litigation, and to the best of our knowledge, no governmental authority is contemplating any proceeding to which the Company is a party or to which any of the Company's properties is subject, which would reasonably be likely to have a material adverse effect on the Company's business, financial condition and operating results.

33

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the section entitled "Risk Factors" in the Form 10-K for the year ended December 31, 2024, as filed on March 31, 2025. The risks described in the Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There have been no material changes to our risk factors from those set forth in our Form 10-K.

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

On March 20, 2025, the Company issued 12,500 restricted shares with a fair market value of \$2.93 per share or \$36,625 as stock based compensation for professional fees, outside of the Company's 2022 Equity Plan. The foregoing securities were issued pursuant to Section 4(a)(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the period covered by this Quarterly Report, none of the Company's directors or executive officers has adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408 of Regulation S-K under the Securities Exchange Act of 1934, as amended).

ITEM 6. EXHIBITS

Exhibit No.	Index to Exhibits
3.1	Certificate of Designations of Rights and Preferences of the Series C Preferred Stock (incorporated by reference to Exhibit 3.1 of the Form 8-K filed May 9, 2025)
4.1	Form of Warrant (incorporated by reference to Exhibit 4.1 of the Form 8-K filed May 9, 2025)
10.1	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 of the Form 8-K filed May 9, 2025)
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 [Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

32.1 [Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

101.ins Inline XBRL Instance Document
101.sch Inline XBRL Taxonomy Schema Document
101.cal Inline XBRL Taxonomy Calculation Document
101.def Inline XBRL Taxonomy Linkbase Document
101.lab Inline XBRL Taxonomy Label Linkbase Document
101.pre Inline XBRL Taxonomy Presentation Linkbase Document
104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

34

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 15, 2025

SAFEPRO GROUP INC.

By: */s/ Daniyel Erdberg*

Daniyel Erdberg
Chairman and Chief Executive Officer
(principal executive officer)

/s/ Theresa Carlise

Theresa Carlise
Chief Financial Officer, Treasurer & Assistant Secretary
(principal financial and accounting officer)

35

CERTIFICATIONS

I, Daniyel Erdberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Safe Pro Group Inc. for the quarter ended March 31, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Intentionally omitted;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2025

/s/ Daniyel Erdberg

Daniyel Erdberg
Chairman and Chief Executive Officer
(principal executive officer)

CERTIFICATIONS

I, Theresa Carlise, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Safe Pro Group Inc. for the quarter ended March 31, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Intentionally omitted;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2025

/s/ Theresa Carlise

Theresa Carlise

Chief Financial Officer, Treasurer & Assistant Secretary
(principal financial and accounting 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 Quarterly Report of Safe Pro Group Inc. (the "Company") on Form 10-Q for the fiscal period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniyel Erdberg, Chief Executive Officer of the Company, and I, Theresa Carlise, Chief Financial Officer of the Company, duly certify pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: May 15, 2025

By: /s/ Daniyel Erdberg

Daniyel Erdberg
Chairman and Chief Executive Officer
(principal executive officer)

/s/ Theresa Carlise

Theresa Carlise
Chief Financial Officer, Treasurer & Assistant Secretary
(principal financial and accounting officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
