

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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **April 10, 2026**

BIOMX INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-38762

(Commission File Number)

82-3364020

(IRS Employer
Identification No.)

850 New Burton Road, Suite 201
Dover, Delaware 19904

(Address of principal executive offices, including zip code)

(972) 52-437-4900

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	PHGE	NYSE American

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

EXPLANATORY NOTE

On April 10, 2026, BiomX Inc. (the “Company”) filed a Current Report on Form 8-K to report the acquisition of Zorronet Ltd. (“Zorronet”), an Israeli artificial intelligence defense technology company (the “Original Zorronet Report”). On April 13, 2026, the Company filed a Current Report on Form 8-K to report the acquisition of a majority stake in Frucht Systems Ltd., an Israeli company (“DFSL”), a developer of proprietary LADAR (Laser Radar)-based detection systems for security, defense, and critical infrastructure applications (the “Original Frucht Report” and together with the Original Zorronet Report, the “Original Reports”)

The Company is hereby filing this Amendment No. 1 on Form 8-K/A (this “Amendment”) to (i) update the information in Item 9.01(a) of the Original Reports to include (x) the audited consolidated financial statements of as of and for the years ended December 31, 2025 and 2024 and (y) the unaudited condensed financial statements as of and for the three months ended March 31, 2026 and 2025 for each of Zorronet and DFSL; and (ii) update the information in Item 9.01(b) of the Original Reports to include the unaudited pro forma condensed combined financial information of the Company reflecting the acquisitions of Zorronet and DFSL as of and for the year ended December 31, 2025 and the period ended March 31, 2026.

This Amendment No. 1 does not amend any other item of the Original Reports or purport to provide an update or a discussion of any developments at the Company subsequent to the filing date of the Original Reports. Capitalized terms used but not defined herein have the meanings given to them in the Original Report.

In accordance with Rule 12b-15 of the Securities Exchange Act of 1934, as amended, the complete text of Item 9.01 (as amended) is included herein.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

- (i) The audited financial statements of Zorronet as of and for the years ended December 31, 2025 and December 31, 2024, the related notes thereto, and the related report of KPMG, independent registered public accounting firm and the financial statements of Zorronet for the three months ended March 31, 2026 (unaudited), are filed herewith as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated herein by reference.
- (ii) The audited financial statements of DFSL as of and for the years ended December 31, 2025 and December 31, 2024, the related notes, and the related report of BDO, independent registered public accounting firm, as set forth in their report thereon, and the financial statements of DFSL for the three months ended March 31, 2026 (unaudited), are filed herewith as Exhibit 99.3 and Exhibit 99.4, respectively, and are incorporated herein by reference

(b) Pro Forma Financial Information.

- (i) The unaudited pro forma condensed combined financial statements of the Company, giving effect to the acquisition of DFSL and Zorronet, which includes the unaudited pro forma condensed consolidated balance sheet as of March 31, 2026, the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2025 and the three months ended March 31, 2026 and the related notes, are incorporated herein by reference as Exhibit 99.5 hereto.
- (ii) The pro forma financial information included in this Amendment has been presented for informational purposes only and is not necessarily indicative of the combined financial position or results of operations that would have been realized had the acquisition of Zorronet and DFSL occurred as of the dates indicated, nor is it meant to be indicative of any anticipated combined financial position or future results of operations that the Company will experience after the acquisition of Zorronet and DFSL.

(d) Exhibits.

23.1	Consent of KPMG, independent registered public accounting firm.
23.2	Consent of BDO, independent registered public accounting firm.
99.1	Audited financial statements of Zorronet as of and for the years ended December 31, 2025 and December 31, 2024, the related notes, and the related report of the independent registered public accounting firm thereon
99.2	Unaudited condensed financial statements of Zorronet as of March 31, 2026 and for the three months ended March 31, 2026 and 2025.
99.3	Audited financial statements of DFSL as of and for the years ended December 31, 2025 and December 31, 2024, the related notes, and the related report of the independent registered public accounting firm thereon.
99.4	Unaudited condensed financial statements of DFSL as of March 31, 2026 and for the three months ended March 31, 2026 and 2025.
99.5	Unaudited pro forma condensed combined financial statements of the Company, giving effect to the acquisition of DFSL and Zorronet, which includes the unaudited pro forma condensed consolidated balance sheet as of March 31, 2026, the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2025 and the three months ended March 31, 2026, and the related notes.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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

BIOMX INC.

Date: June 12, 2026

By: /s/ Michael Oster

Name: Michael Oster

Title: Chief Executive Officer



KPMG Somekh Chaikin
8 Hartum St., Har Hotzvim
PO Box 212
Jerusalem 9100102, Israel
+972 2 531 2000

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements (Nos. 333-261419, 333-272371, 333-275935, 333-278986, and 333-293308) on Form S-3 and (Nos. 333-235777, 333-254922, 333-263995, 333-270947, 333-278500, 333-282059 and 295000) on Form S-8 of BiomX Inc. of our report dated June 11, 2026, with respect to the financial statements of Zorronet Ltd.

/s/ Somekh Chaikin
Somekh Chaikin
Member Firm of KPMG International
Jerusalem, Israel

June 12, 2026

KPMG Somekh Chaikin, an Israeli partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the registration statements on Form S-3 (Nos. 333-261419, 333-272371, 333-275935, 333-278986, and 333-293308) and on Form S-8 (Nos. 333-235777, 333-254922, 333-263995, 333-270947, 333-278500, 333-282059 and 295000) of BiomX Inc. of our report dated June 11, 2026, relating to the financial statements of Dr. Frucht Systems Ltd. as of December 31, 2025 and 2024, for the two years then ended, which appears in this Form 8-K/A of BiomX Inc.

/s/ Ziv Haft
 Ziv Haft
 Certified Public Accountants (Isr.)
 BDO Member Firm

June 11, 2026
 Tel Aviv, Israel



Tel Aviv

+972-3-6386868

Jerusalem

+972-2-6546200

Haifa

+972-4-8680600

Beer Sheva

+972-77-7784100

Bene Berak

+972-73-7145300

Kiryat Shmona

+972-77-5054906

Petach Tikva

+972-77-7784180

Modiin Ilit

+972-8-9744111

Head Office Amot Bituach House 48 Derech Menachem Begin Rd. Tel Aviv 6618001 **Email** bdo@bdo.co.il **Our Site** www.bdo.co.il

BDO Israel, an Israeli partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms

ZORRONET LTD.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025

ZORRONET LTD.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2025
TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	F-2
FINANCIAL STATEMENTS:	
<u>Balance Sheet as of December 31, 2025</u>	F-4
<u>Statement of Comprehensive Loss for the year ended December 31, 2025</u>	F-5
<u>Statement of Changes in Stockholders' Deficit for the year ended December 31, 2025</u>	F-6
<u>Statement of Cash Flows for the year ended December 31, 2025</u>	F-7
<u>Notes to Financial Statements</u>	F-8 – F-20



Somekh Chaikin
8 Hartum Street, Har Hotzvim
PO Box 212
Jerusalem 9100102, Israel
+972 2 5312000

Independent Auditors' Report

To the Stockholders of Zorronet Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zorronet Ltd. (the Company), which comprise the balance sheet as of December 31, 2025, and the related statements of comprehensive loss, changes in stockholders' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1C to the financial statements, the Company has suffered recurring losses from operations, has a negative working capital, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1C. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

KPMG Somekh Chaikin, an Israeli partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee



Somekh Chaikin
8 Hartum Street, Har Hotzvim
PO Box 212
Jerusalem 9100102, Israel
+972 2 5312000

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Somekh Chaikin
Member Firm of KPMG International
Jerusalem, Israel

June 11, 2026

KPMG Somekh Chaikin, an Israeli partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

ZORRONET LTD.
BALANCE SHEET
(USD in thousands except share and per share data)

	December 31, 2025
Assets	
Current Assets	
Accounts receivable	102
Other current assets	31
Total Current Assets	133
Operating lease right-of-use asset (Note 3)	6
Property and equipment, net (Note 4)	34
Total Assets	173
Liabilities and Stockholders' Deficit	
Current Liabilities	
Short term loans (Note 5)	159
Accounts payable	54
Operating lease liability (Note 3)	6
Other current liabilities – related parties	129
Loans from parent company (Note 8)	117
Other current liabilities (Note 6)	222
Total current liabilities	687
Long term loans (Note 7)	129
Total Liabilities	816
Stockholders' Deficit (Note 9)	
Common stock of NIS 0.01 par value each ("Common Stock"): 100,000 shares authorized as of December 31, 2025; issued and outstanding 13,250 shares as of December 31, 2025.	4
Other comprehensive loss	(60)
Accumulated deficit	(587)
Total Stockholders' Deficit	(643)
Total Liabilities and Stockholders' Deficit	173

The accompanying notes are an integral part of the financial statements.

ZORRONET LTD.
STATEMENT OF COMPREHENSIVE LOSS
(USD in thousands)

	Year ended December 31 2025
Revenues for services	382
Revenues for sales	235
	<u>617</u>
Cost of services (Note 10)	(226)
Cost of sales	(223)
Gross profit	168
Research and development expenses (Note 11)	(177)
General and administrative expenses (Note 12)	(274)
Operating Loss	(283)
Financial expenses, net	(23)
Net Loss	(306)
Translation to presentation currency	(63)
Total loss and other comprehensive loss	(369)

The accompanying notes are an integral part of the financial statements.

ZORRONET LTD.
STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
(USD in thousands, except share and per share data)

	<u>Number of Shares</u>	<u>Amount</u>	<u>Other comprehensive income (loss)</u>	<u>Accumulated deficit</u>	<u>Total stockholders' deficit</u>
BALANCE AT JANUARY 1, 2025	13,250	4	3	(281)	(274)
Total comprehensive loss for the year	-	-	(63)	(306)	(369)
BALANCE AT DECEMBER 31, 2025	13,250	4	(60)	(587)	(643)

The accompanying notes are an integral part of the financial statements.

ZORRONET LTD.
STATEMENT OF CASH FLOWS
(USD in thousands)

	Year ended December 31 2025
CASH FLOWS FROM OPERATING ACTIVITIES:	
Total net loss for the year	(306)
Adjustments required to reconcile net loss for the year to net cash used in operating activities:	
Depreciation	12
Interest	4
Increase in accounts receivable	(20)
Increase in other current assets	(12)
Increase in accounts payable	6
Increase in other liabilities	81
Net cash used in operating activities	<u>(235)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of loans	(66)
Proceeds from related parties	129
Proceeds from loans	129
Net cash provided by financing activities	<u>192</u>
DECREASE IN CASH AND CASH EQUIVALENTS	
Decrease in Cash and Cash Equivalents	(43)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>43</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>-</u></u>
Supplemental disclosure of cash flow information:	
Cash transactions:	
Interest	<u>15</u>
Taxes	<u><u>-</u></u>

The accompanying notes are an integral part of the financial statements.

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 1 – GENERAL

A. ZorroNet Ltd. (the “Company”) is a private company incorporated in Israel on January 13, 2021.

The Company is engaged in the development of artificial intelligence (AI)-based software solutions for defense, command-and-control (C2), and intelligence applications. The Company’s platform integrates video analytics, drones, sensors, IoT systems and additional data sources into a unified real-time operational environment designed to support monitoring, threat detection, situational awareness and operational decision-making.

The Company provides its solutions and related services to governmental, defense, homeland security and commercial customers in Israel and internationally.

B. Israel –war

In October 2023, a large-scale terrorist attack in southern Israel led to the outbreak of armed conflict between Israel and Hamas. The conflict subsequently expanded to additional regional fronts and contributed to a period of heightened geopolitical and security instability in the region.

During 2024 and 2025, hostilities included military operations in Lebanon and direct confrontations involving Iran. These developments increased regional uncertainty and, at times, resulted in temporary disruptions to the Company’s operations in Israel, including limited interruptions to routine business activities.

In September 2025, a ceasefire agreement was reached between Israel and Hamas, and all remaining living Israeli hostages were released and returned to Israel. While the ceasefire has generally held as of the date of these financial statements, the security situation remains sensitive, and the potential for renewed hostilities or broader regional escalation cannot be ruled out. More recently, on February 28, 2026, hostilities between Israel and Iran escalated again. Israel, together with the United States, conducted a major joint military campaign of air and missile strikes against targets in Iran, which triggered a broad Iranian response and contributed to significant regional instability. The situation remains highly fluid, and management is unable to predict when, or on what terms, this escalation will be resolved. Accordingly, the extent of the continued impact on the Company’s operations and financial results, if any, cannot be reasonably estimated at this time.

Given that the majority of the Company’s operations are conducted in Israel, and that all members of the Company’s board of directors and management, as well as most employees, consultants, and service providers, are located in Israel, the Company is directly affected by the economic, political, geopolitical, and military conditions impacting the region. As of March 31, 2026, while ceasefire arrangements with Hamas, Lebanon and Iran were generally in effect and large-scale military operations had subsided, the overall security environment in Israel and the surrounding region remained unstable and unpredictable. Any further escalation or expansion of the conflict could negatively affect both regional and global conditions, and may adversely impact the Company’s business, financial condition, and results of operations.

In April 2026, a ceasefire agreement was reached; however, the ceasefire remains fragile and the overall security situation in Israel and the region continues to be uncertain.

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 1 – GENERAL (continue)

- C. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of December 31, 2025, the Company had \$0 in cash and cash equivalents, \$554 in negative working capital, stockholders' deficit of \$643 and an accumulated deficit of \$587. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon raising capital from financing transactions and revenue from operations. Management anticipates their business will require substantial additional investments that have not yet been secured. The Parent Company has expressed its intent to support the Company's operations and to provide financial assistance as needed. However, the extent and timing of such support are uncertain. Therefore, substantial doubt about the Company's ability to continue as a going concern remains. These financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

A. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, certain revenues and expenses, and disclosure of contingent assets and liabilities as of the date of the financial statements. As applicable to these financial statements, the most significant estimates and assumptions relate to revenue recognition and valuation of accounts receivable. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

B. Functional currency

The functional currency of the Company is New Israel Shekel ("NIS"). Most of the Company's costs are denominated and determined in NIS. Management believes that the NIS is the currency in the primary economic environment in which the company operates. Thus, the functional currency of the Company is the NIS.

The financial statements are presented in US dollars. The records of the operations were maintained in NIS and translated to the US dollar as follows: assets and liabilities are translated using the balance sheet period-end date exchange rate. Expenses and income are translated using the weighted average exchange rates for the reporting period. The net exchange difference that arises from the translation as described above, is recorded as a foreign currency translation reserve and presented in equity. The periodic changes in the foreign currency translation reserve are recorded as other accumulated comprehensive income (loss).

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continue)

C. Cash and cash equivalents

Cash equivalents are short-term highly liquid investments which include short-term bank deposits (up to three months from date of deposit), that are not restricted as to withdrawals or use that are readily convertible to cash with maturities of three months or less as of the date acquired.

D. Accounts Receivables

The Company manages credit risk associated with accounts receivable at the customer level.

Pursuant to ASC Topic 326, the Company maintains an allowance for expected credit losses on accounts receivable that reflects management's estimate of expected credit losses. The allowance is estimated using a loss-rate model based on delinquency. The estimated loss rate is based on the Company's historical experience with specific customers, its understanding of current economic conditions, reasonable and supportable forecasts, and management's judgment regarding the likelihood of ultimate collection based on available information.

Actual future credit losses may differ from historical experience. The Company's estimate of expected credit losses may change based on evolving circumstances, including changes in economic conditions or in the financial condition of individual customers. Accordingly, the Company may be required to increase or decrease its allowance for expected credit losses.

During the year ended December 31, 2025, two customers accounted for approximately 18% and 15%, respectively, of the Company's total revenues.

E. Property, plant and equipment, net

1. Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition is reflected in the Statements of Operations and Comprehensive Loss.

2. Rates of depreciation:

	<u>%</u>
Computers	33
Vehicles	15

F. Impairment of long-lived assets

The Company's long-lived assets are reviewed for impairment in accordance with ASC Topic 360, "Property, Plant and Equipment", whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. No impairment loss was recorded during the year ended December 31, 2025.

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continue)

G. Fair Value

Fair value of certain of the Company's financial instruments including cash, accounts payable, accrued expenses, long term loans from bank and other accrued liabilities approximate cost because of their short maturities. The Company measures and reports fair value in accordance with Accounting Standards Codification ("ASC") 820, "Fair Value Measurements" which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements.

Fair value, as defined by ASC 820, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset should reflect its highest and best use by market participants, principal (or most advantageous) markets, and an in-use or an in-exchange valuation premise.

Valuation techniques are generally classified into three categories: (i) the market approach; (ii) the income approach; and (iii) the cost approach. The selection and application of one or more of the techniques may require significant judgment and are primarily dependent upon the characteristics of the asset or liability, and the quality and availability of inputs. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also provides fair value hierarchy for inputs and resulting measurement as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity, and that are significant to the fair values.

The carrying amounts of accounts receivable, other account assets, accounts payable, other current liabilities and loans approximate fair value due to the short-term nature of such instruments or because the related instruments bear interest at rates that approximate current market rates. The Company had no assets or liabilities measured at fair value on a recurring or nonrecurring basis as of December 31, 2025.

H. Leases

The Company determines if an arrangement is or contains a lease at contract inception.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in our balance sheets.

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

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continue)

The Company monitors events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in statement of comprehensive loss. For lease agreements, the Company has elected the practical expedient to account for the lease and non-lease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract.

I. Severance pay

All the Company's employees, have been signed on Section 14 of Israel's Severance Compensation Law, 1963 ("Section 14"). Pursuant to Section 14, the Company's employees, covered by this section, are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made on their behalf by the Company. Payments in accordance with Section 14 release the Company from any future severance liabilities in respect of those employees. Neither severance pay liability nor severance pay fund under Section 14 are recorded in the Company's balance sheets.

J. Revenue recognition

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. The Company derives its revenue principally from subscriptions to its artificial intelligence (AI)-based command-and-control software platform ("SaaS"), deployment and integration services, and, in certain arrangements, from the procurement of hardware components and related installation services. Arrangements are entered into both as bundled solutions (hardware, installation and a SaaS subscription) and as standalone sales of hardware or services. The Company recognizes revenue upon transfer of control of the promised goods or services to the customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, applying the following five steps: (i) identifying the contract with the customer; (ii) identifying the distinct performance obligations; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue as each performance obligation is satisfied.

SaaS subscriptions - Access to the Company's software platform, together with the technical support and unspecified updates provided during the subscription period, is accounted for as a single performance obligation satisfied over time, because the customer simultaneously receives and consumes the benefit of the Company's performance. Revenue is recognized ratably on a straight-line basis over the committed subscription term, commencing when access to the platform is made available to the customer.

Deployment and integration services – Deployment, configuration and integration services generally consist of connecting the Company's platform to the customer's existing cameras, sensors and control systems and performing the initial configuration of the platform. These services are generally short-term in nature. Accordingly, revenue is recognized at a point in time upon completion of the services and transfer of control to the customer.

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continue)

Hardware - Revenue from the sale of hardware components is recognized at a point in time, when control of the hardware transfers to the customer—generally upon delivery or customer acceptance determined by reference to the contractual shipping terms (Incoterms), transfer of legal title and the risks and rewards of ownership.

In certain arrangements, at the customer’s request, the Company procures hardware components from third-party suppliers and provides such hardware as part of the overall customer solution. The Company acts as principal in these arrangements because it controls the hardware before transfer to the customer, has primary responsibility for fulfillment, and has discretion in establishing pricing. Accordingly, revenue from hardware sales is recognized on a gross basis.

Installation and onboarding services - Revenue from installation and onboarding services that are distinct is recognized at a point in time upon completion of the services, unless the customer consumes the benefit of the services as they are performed, in which case the related revenue is recognized over time.

Contracts with multiple performance obligations. For arrangements comprising more than one distinct performance obligation, the transaction price is allocated to each performance obligation on a relative standalone selling price basis. The Company determines standalone selling prices using observable prices where available, and otherwise estimates them using an adjusted market assessment or an expected-cost-plus-margin approach.

Significant financing component. The Company has elected the practical expedient under ASC 606-10-32-18 and does not adjust the transaction price for the effects of a significant financing component when the period between payment by the customer and transfer of the promised goods or services is one year or less.

K. Research and Developments expenses

Research and development costs are not capitalized and are charged to profit or loss as incurred, within research and development expenses in the statement of comprehensive income. The Company’s software development activities primarily relate to maintenance and support.

L. Income taxes

Income taxes are accounted for under the asset and liability method. The Company accounts for income taxes in accordance with ASC Topic 740, “Income Taxes”. Accordingly, deferred income taxes are determined based on the estimated future tax effects of differences between the financial accounting and the tax bases of assets and liabilities under the applicable tax law. Deferred tax balances are computed using the enacted tax rates expected to be in effect when these differences reverse. Valuation allowances in respect of deferred tax assets are provided for, if necessary, to reduce deferred tax assets to amounts more likely than not to be realized.

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continue)

The Company accounts for uncertain tax positions in accordance with ASC Topic 740-10, which prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. According to ASC Topic 740-10, tax positions must meet a more-likely-than-not recognition threshold. The Company's accounting policy is to classify interest and penalties relating to uncertain tax positions under financial expenses.

M. New Accounting Pronouncements

Income Taxes: In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this ASU add specific requirements for income tax disclosures to improve transparency and decision usefulness. The guidance in ASU 2023-09 requires that public business entities disclose specific categories in the income tax rate reconciliation and provide additional qualitative information for reconciling items that meet a quantitative threshold. In addition, the amendments in ASU 2023-09 require that all entities disclose the amount of income taxes paid disaggregated by federal, state, and foreign taxes and disaggregated by individual jurisdictions. The ASU also includes other disclosure amendments related to the disaggregation of income tax expense between federal, state and foreign taxes. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this update should be applied on a prospective basis and retrospective application is permitted.

N. Accounting Standards Not Yet Adopted

In November 2024, the FASB issued ASU No. 2024-03 Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40). The ASU improves the disclosures about a public business entity's expense and provides more detailed information about the types of expenses in commonly presented expense captions. The amendments require that at each interim and annual reporting period an entity will, inter alia, disclose amounts of purchases of inventory, employee compensation, depreciation and amortization included in each relevant expense caption (such as cost of sales, SG&A and research and development). Amounts remaining in relevant expense captions that are not separately disclosed will be described qualitatively. Certain amounts that are already required to be disclosed under currently effective U.S GAAP will be included in the same disclosure as the other disaggregation requirements. The amendments also require disclosing the total amount of selling expenses and, in annual reporting periods, the definition of selling expenses. The ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continue)

In July 2025, the FASB issued ASU 2025-05 “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets”. The ASU introduces a practical expedient for all entities when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606. Under the practical expedient, when developing reasonable and supportable forecast as part of estimating expected credit losses, an entity may assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The ASU is effective for annual reporting period beginning after December 15, 2025 and interim reporting within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods. The Company is evaluating the impact of ASU 2025-05 on its financial statements if it elects to apply the practical expedient.

NOTE 3 – LEASES

A. The components of operating lease expense for the period ended December 31, 2025 were as follows:

	2025
Operating lease expense	6
Weighted-average remaining lease term	1/2 year
Weighted-average discount rate	8.7%

B. Future minimum lease payments under non-cancellable leases as of December 31, 2025, are as follows:

2026	6
Total operating lease payments	6
Less: imputed interest	-
Present value of lease liabilities	6

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Composition of assets and the accumulated depreciation thereon, grouped by major classification and changes therein in 2025 are as follows:

	December 31, 2025		
	Cost	Accumulated Depreciation	Property and equipment, Net
	(USD in thousands)		
Computers	6	4	2
Vehicles	43	11	32
Total	49	15	34

Depreciation expenses amounted to \$12 thousand for the year ended December 31, 2025.

NOTE 5 – SHORT TERM LOANS

	December 31, 2025
Short term loans from Bank	10
Short term loans from Other	54
Long-term loan -current portion (note 7)	95
	159

NOTE 6 – OTHER CURRENT LIABILITIES

	December 31, 2025
Advances received from customer	46
Employees and payroll accruals	123
Other	53
	222
<u>Advances received from customers:</u>	
Opening balance	47
New advance payments	44
Amount recognized as revenue	(45)
Foreign currency translation adjustment	-
Closing balance	46

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 7 – LONG TERM LOANS

	December 31, 2025
Long term loans from bank (*)	193
Long term loans from other (*)	31
Long-term loan -current portion	(95)
	129

(*) Annual interest – 8%-11%

Maturities of the loan as of December 31, 2025, were as follows:

Year ended December 31,	
2026	95
2027	67
2028-2032	62
Total	224

NOTE 8 – LOANS FROM PARENT COMPANY

Loan from the parent company in NIS and does not bear interest. Repayment date has not yet been determined.

NOTE 9 – STOCKHOLDERS' EQUITY

Description of the rights attached to the Shares in the Company:

Common stock:

The Ordinary shares confer upon their holders the right to participate and vote in the shareholders' meetings of the Company and the right to participate in any distribution of dividends.

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands, except share and per share data)

NOTE 10 - COST OF SERVICES

	Year ended December 31 2025
Salaries and related expenses	76
Other expenses	150
	<u>226</u>

NOTE 11 - RESEARCH AND DEVELOPMENT EXPENSES

	Year ended December 31 2025
Salaries and related expenses	149
Other expenses	28
	<u>177</u>

NOTE 12 - GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31 2025
Salaries and related expenses	124
Professional services	83
Depreciation	12
Other expenses	55
	<u>274</u>

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(U.S. dollars, except share and per share data)

NOTE 13 – INCOME TAX

- A. The statutory corporate tax rate in Israel is 23%. Israeli tax legislation provides for various tax benefits, including accelerated depreciation for qualifying industrial companies under the Law for the Encouragement of Industry (Taxes), 1969, and potential reduced tax rates under the Law for the Encouragement of Capital Investments, 1959, subject to meeting specified conditions and generating taxable income in future periods. As of the reporting date, the Company has not assessed its eligibility to benefit from these provisions.

The Company has not received final tax assessments since its inception.

As of December 31, 2025, the Company has carried forward losses for tax purposes of approximately \$455 thousand.

B. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	December 31, 2025
<u>Deferred tax assets</u>	
Net operating losses carryforwards	105
Employees accruals	9
Research and developments	40
Gross deferred tax assets	154
Valuation allowance	(154)
Total deferred tax assets, net	-

- C. The reconciliations of the statutory income tax rate and the Company's effective income tax rate were as follows:

	Year ended December 31 2025
Israel Statutory income tax rate	23%
Change in valuation allowance	(23)%
Effective tax rate	0.0%

ZORRONET LTD.
NOTES TO FINANCIAL STATEMENTS
(U.S. dollars, except share and per share data)

NOTE 13 – INCOME TAX (continue)

D. A reconciliation of the provision for income taxes to the amount computed by applying the 23% statutory Israel income tax rate to income before income taxes for years after the adoption of ASU 2023-09 is as follows:

	Year ended December 31 2025
Loss from continuing operation before income taxes	306
Israel statutory income tax rate	23%
Income tax computed at the statutory income tax rate	70
Change in valuation allowance	(70)
	<u>-</u>

NOTE 14 – RELATED PARTIES

Balances with related parties:

	As of December 31, 2025
Other current liabilities	129
Short-term loans (see note 8)	117

NOTE 15 – SUBSEQUENT EVENTS

The Company evaluated subsequent events through June 11, 2026, the date on which these financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the accompanying financial statements.

ZORRONET LTD.

CONDENSED FINANCIAL STATEMENTS

AS OF MARCH 31, 2026

ZORRONET LTD.

INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS

AS OF MARCH 31, 2026
U.S. DOLLARS IN THOUSANDS

TABLE OF CONTENTS

	Page
CONDENSED FINANCIAL STATEMENTS (unaudited):	
Interim unaudited condensed balance sheets	1
Interim unaudited condensed statements of comprehensive loss	2
Interim unaudited condensed statements of stockholders' deficit	3
Interim unaudited condensed statements of cash flows	4
Notes to interim unaudited condensed financial statements	5 - 7

ZORRONET LTD.
INTERIM UNAUDITED CONDENSED BALANCE SHEETS
(U.S. dollars in thousands, except share and per share data)

	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>
Assets		
Current Assets		
Cash and cash equivalents	34	-
Accounts receivable	367	102
Other current assets	4	31
Total Current Assets	405	133
Operating lease right-of-use asset	2	6
Property and equipment, net	37	34
Total Assets	444	173
Liabilities and Stockholders' Deficit		
Current Liabilities		
Short term loans	150	159
Accounts payable	21	54
Operating lease liability	2	6
Other current liabilities – related parties	407	129
Short-term loans from parent company	120	117
Other current liabilities	354	222
Total current liabilities	1,054	687
Long term loans	116	129
Total Liabilities	1,170	816
Stockholders' Deficit		
Common stock of NIS 0.01 par value each ("Common Stock"): 100,000 shares authorized as of March 31, 2026 and December 31, 2025; issued and outstanding 13,250 shares as of March 31, 2026 and December 31, 2025.	4	4
Other comprehensive loss	(61)	(60)
Accumulated deficit	(669)	(587)
Total Stockholders' Deficit	(726)	(643)
Total liabilities and stockholders' Deficit	444	173

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

ZORRONET LTD.
INTERIM UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(U.S. dollars in thousands, except share and per share data)

	Period ended March 31, 2026
Revenues for services	90
Revenues for sales	261
	351
Cost of services	(75)
Cost of sales	(184)
Gross profit	92
Research and development expenses	(78)
General and administrative expenses	(88)
Operating Loss	(74)
Financial expenses, net	(8)
Net Loss	(82)
Translation to presentation currency	(1)
Total loss and other comprehensive loss	(83)

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

ZORRONET LTD.
INTERIM UNAUDITED CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(U.S. dollars in thousands, except share and per share data)

	Number of Shares	Amount	Other comprehensive loss	Accumulated deficit	Total stockholders' deficit
BALANCE AT DECEMBER 31, 2025	13,250	4	(60)	(587)	(643)
Total comprehensive loss for the period			(1)	(82)	(83)
BALANCE AT MARCH 31, 2026	13,250	4	(61)	(669)	(726)

(*) represents amount less than \$1 thousand

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

ZORRONET LTD.
INTERIM UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

**For the Three-
month period
ended March 31,
2026**

CASH FLOWS FROM OPERATING ACTIVITIES:

Total net loss for the period	(82)
Adjustments required to reconcile net loss for the period to net cash used in operating activities:	
Depreciation	2
Interest expenses	3
Increase in accounts receivable	(264)
Decrease in other current assets	27
Decrease in accounts payable	(34)
Increase in other liabilities	131
Net cash used by operating activities	<u>(217)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of short-term loans	(10)
Proceeds from related parties	278
Repayment of long-term loans	(17)
Net cash provided in financing activities	<u>251</u>

INCREASE IN CASH AND CASH EQUIVALENTS

Increase in Cash and Cash Equivalents	34
---------------------------------------	----

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

	<u>-</u>
--	----------

CASH AND CASH EQUIVALENTS AT END OF YEAR

	<u><u>34</u></u>
--	------------------

Supplemental disclosure of cash flow information:

Cash transactions:

Interest	5
Taxes	<u>-</u>

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

ZORRONET LTD.
NOTES TO INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 – GENERAL

A. ZorroNet Ltd. (the “Company”) is a private company incorporated in Israel on January 13, 2021.

The Company is engaged in the development of artificial intelligence (AI)-based software solutions for defense, command-and-control (C2), and intelligence applications. The Company’s platform integrates video analytics, drones, sensors, IoT systems and additional data sources into a unified real-time operational environment designed to support monitoring, threat detection, situational awareness and operational decision-making.

The Company provides its solutions and related services to governmental, defense, homeland security and commercial customers in Israel and internationally.

B. Israel –war

In October 2023, a large-scale terrorist attack in southern Israel led to the outbreak of armed conflict between Israel and Hamas. The conflict subsequently expanded to additional regional fronts and contributed to a period of heightened geopolitical and security instability in the region.

During 2024 and 2025, hostilities included military operations in Lebanon and direct confrontations involving Iran. These developments increased regional uncertainty and, at times, resulted in temporary disruptions to the Company’s operations in Israel, including limited interruptions to routine business activities.

In September 2025, a ceasefire agreement was reached between Israel and Hamas, and all remaining living Israeli hostages were released and returned to Israel. While the ceasefire has generally held as of the date of these financial statements, the security situation remains sensitive, and the potential for renewed hostilities or broader regional escalation cannot be ruled out. More recently, on February 28, 2026, hostilities between Israel and Iran escalated again. Israel, together with the United States, conducted a major joint military campaign of air and missile strikes against targets in Iran, which triggered a broad Iranian response and contributed to significant regional instability. The situation remains highly fluid, and management is unable to predict when, or on what terms, this escalation will be resolved. Accordingly, the extent of the continued impact on the Company’s operations and financial results, if any, cannot be reasonably estimated at this time.

Given that the majority of the Company’s operations are conducted in Israel, and that all members of the Company’s board of directors and management, as well as most employees, consultants, and service providers, are located in Israel, the Company is directly affected by the economic, political, geopolitical, and military conditions impacting the region. As of March 31, 2026, while ceasefire arrangements with Hamas, Lebanon and Iran were generally in effect and large-scale military operations had subsided, the overall security environment in Israel and the surrounding region remained unstable and unpredictable. Any further escalation or expansion of the conflict could negatively affect both regional and global conditions, and may adversely impact the Company’s business, financial condition, and results of operations.

In April 2026, a ceasefire agreement was reached; however, the ceasefire remains fragile and the overall security situation in Israel and the region continues to be uncertain.

ZORRONET LTD.

NOTES TO INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 – GENERAL

- C. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of March 31, 2026, the Company had \$34 in cash and cash equivalents, \$649 in negative working capital, stockholders' deficit of \$726 and an accumulated deficit of \$669. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon raising capital from financing transactions and revenue from operations. Management anticipates their business will require substantial additional investments that have not yet been secured. The Parent Company has expressed its intent to support the Company's operations and to provide financial assistance as needed. However, the extent and timing of such support are uncertain. Therefore, substantial doubt about the Company's ability to continue as a going concern remains. These financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Unaudited Interim Financial Statements

The accompanying condensed interim balance sheet as of March 31, 2026 and the condensed interim statements of operations, changes in shareholders' equity and cash flows for the three month period ended March 31, 2026 are unaudited. These unaudited condensed interim financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The unaudited condensed interim financial statements contain all adjustments which, in the opinion of management, are necessary to present fairly, the financial information included therein. It is suggested that these condensed interim financial statements be read in conjunction with the audited financial statements and accompanying notes included in the Company's report for the year ended December 31, 2025. Results for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report for the year ended December 31, 2025.

ZORRONET LTD.

NOTES TO INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, certain revenues and expenses, and disclosure of contingent assets and liabilities as of the date of the financial statements. As applicable to these financial statements, the most significant estimates and assumptions relate to revenue recognition and valuation of accounts receivable. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

During the period ended March 31, 2026, two customers accounted for approximately 45% and 11%, respectively, of the Company's total revenues.

NOTE 3 – RELATED PARTIES

Balances with related parties:

	As of March 31, 2026
Other current liabilities (*)	<u>407</u>
Short- term loans	<u>120</u>

(*) The balance with a related party represents a non-interest bearing current account, payable on demand.

NOTE 4 – SUBSEQUENT EVENTS

The Company evaluated subsequent events through June 11, 2026, the date on which these financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the accompanying financial statements.

DR. FRUCHT SYSTEMS LTD.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025

DR. FRUCHT SYSTEMS LTD.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025

TABLE OF CONTENTS

	<u>Page</u>
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	F-3
FINANCIAL STATEMENTS:	
Balance Sheets as of December 31, 2025 and December 31, 2024	F-4
Statements of Comprehensive Loss for the years ended December 31, 2025 and 2024	F-5
Statements of Changes in Stockholders' Deficit for the years ended December 31, 2025 and 2024	F-6
Statements of Cash Flows for the years ended December 31, 2025 and 2024	F-7
Notes to Financial Statements	F-8 – F-16



INDEPENDENT AUDITORS' REPORT

To the Stockholders of Dr. Frucht Systems Ltd.

Opinion

We have audited the financial statements of Dr. Frucht Systems Ltd. (the Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of comprehensive loss, changes in stockholders' deficit, and cash flows for the two years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each year then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1C to the financial statements, the Company has incurred losses from operations, negative cash flows from operations, and an accumulated deficit, which raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1C. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Basis for Opinion

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

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

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

Ziv Haft
Certified Public Accountants (Isr.)
BDO Member Firm

This is our first year serving as the Company's auditor
June 11, 2026
Tel Aviv, Israel



Head Office Amot Bituach House 48 Derech Menachem Begin Rd. Tel Aviv 6618001 **Email** bdo@bdo.co.il **Our Site** www.bdo.co.il

BDO Israel, an Israeli partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms

DR. FRUCHT SYSTEMS LTD.
BALANCE SHEETS
(USD in thousands)

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
ASSETS		
Current assets		
Cash and cash equivalents	5	59
Bank deposits	15	15
Trade receivable	108	-
Other receivable	13	13
	<u>141</u>	<u>87</u>
Non- current assets		
Property and equipment, net	4	13
Total Assets	<u>145</u>	<u>100</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Current maturities of loans (Note 4)	33	79
Trade payables	8	28
Accrued compensation- related parties (Note 5)	400	297
Related party's loans (Note 5)	364	208
Other payables	32	23
	<u>837</u>	<u>635</u>
Non- current liabilities		
Loans from bank, fund and other net, of current maturities (Note 4)	154	90
Accrued severance	13	29
Total liabilities	<u>1,004</u>	<u>754</u>
COMMITMENTS AND CONTINGENCIES (Note 6)		
Stockholders' deficit (Note 7)		
Common stock of NIS 1 par value each: 6,000 shares authorized as of December 31, 2025 and 2024; issued and outstanding 6,000 shares as of December 31, 2025 and 2024.	2	2
Other comprehensive loss	(87)	(1)
Accumulated deficit	(774)	(655)
Total Stockholders' deficit	<u>(859)</u>	<u>(654)</u>
Total liabilities and stockholders' deficit	<u>145</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

DR. FRUCHT SYSTEMS LTD.
STATEMENTS OF COMPREHENSIVE LOSS
(USD in thousands)

	Year ended	
	December 31	
	2025	2024
Revenues (Note 8)	292	90
Research and development expenses (Note 9)	(262)	(118)
General and administrative expenses (Note 10)	(126)	(108)
Operating Loss	(96)	(136)
Financial expenses, net	(28)	(20)
Other income	5	
Net Loss	(119)	(156)
Other comprehensive loss	(86)	(1)
Net loss and total comprehensive loss	(205)	(157)

The accompanying notes are an integral part of the financial statements.

DR. FRUCHT SYSTEMS LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(USD in thousands)

	<u>Number of Shares</u>	<u>Amount</u>	<u>Accumulated other comprehensive losses</u>	<u>Accumulated deficit</u>	<u>Total stockholders' deficit</u>
BALANCE AT DECEMBER 31, 2023	6,000	2	-	(499)	(497)
Comprehensive loss	-	-	(1)	-	(1)
Net loss	-	-	-	(156)	(156)
BALANCE AT DECEMBER 31, 2024	6,000	2	(1)	(655)	(654)
Comprehensive loss			(86)		(86)
Net loss				(119)	(119)
BALANCE AT DECEMBER 31, 2025	6,000	2	(87)	(774)	(859)

(*) represents amount less than \$1 thousand.

The accompanying notes are an integral part of the financial statements.

DR. FRUCHT SYSTEMS LTD.
STATEMENTS OF CASH FLOWS
(USD in thousands)

	Year ended	
	December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(119)	(156)
Adjustments required to reconcile net loss for the year to net cash used in operating activities:		
Depreciation	10	6
Interest expenses	5	7
Change in accrued severance	(20)	1
Decrease (increase) in trade receivable	(100)	47
Decrease (increase) in other current assets	2	(4)
Decrease in trade payables	(22)	(16)
Increase in accrued compensation- related parties	67	55
Decrease in other payables	7	(4)
Net cash used in operating activities	<u>(170)</u>	<u>(64)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Decrease in bank deposit	-	(15)
Net cash used in investment activities	<u>-</u>	<u>(15)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short term loan from bank, net	(47)	42
Loans from related party, net	121	(10)
Proceeds from loans	42	78
Net cash provided by financing activities	<u>116</u>	<u>110</u>
Net increase (decrease) in cash and cash equivalents	(54)	31
Cash and cash equivalents at the beginning of the year	59	28
Cash and cash equivalents at the end of the year	<u>5</u>	<u>59</u>

The accompanying notes are an integral part of the financial statements.

DR. FRUCHT SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands)

NOTE 1 – GENERAL

- A. Dr. Frucht Systems Ltd. (“the Company” or “DFSL”) is a private company incorporated in Israel in 1995. The Company specializes in the development, production and marketing of advanced homeland security and defense solutions based on proprietary LADAR (Laser Radar)–based detection systems for security, defense, and critical infrastructure applications. Its technology combines laser-based sensing with proprietary AI algorithms to detect and respond to both UAV and ground-based intruders.

DFSL’s technology is deployed across four primary application areas: counter-UAS (drone detection and response), perimeter and border security (“virtual fencing”), wide-area 360-degree surveillance, and rail and metro safety systems. The platform has been deployed in both pilot and operational environments where reliable, low false-alarm detection is critical, including transportation infrastructure and defense-related settings. The Company develops and manufactures laser radar sensors, perimeter protection systems, drone detection technologies, virtual fencing solutions and related security applications for critical infrastructure, military facilities, airports, ports, correctional facilities and other sensitive sites worldwide.

On March 31, 2026, BiomX Inc. (“BiomX”) and Mandragola entered into an option and undertaking agreement pursuant to which BiomX was granted an exclusive and irrevocable option to acquire Mandragola’s equity interests in the Company. On April 13, 2026, BiomX exercised the option and entered into, and simultaneously closed, a stock purchase and assignment agreement with Mandragola pursuant to which BiomX acquired shares representing 60% of the Company’s issued and outstanding voting share capital on a fully diluted basis. The remaining 40% of the Company’s issued and outstanding voting share capital is held by Dr. Frucht Isak Yaakov (“Stockholder”). Mandragola committed to provide, or make available, a credit line to support DFSL’s operations, in an amount and on terms to be mutually agreed upon. In Q1 2026, Mandragola provided the Company \$100 thousand as a credit line. As of the date of issuance of these financial statements, the interest terms and repayment schedule had not yet been determined.

The Company has previously received grants from the Israel Innovation Authority (“IIA”) in connection with the development of its anti-drone technology. Accordingly, the transfer of ownership and control of the Company contemplated by the transaction is subject to the written confirmation and approval of the IIA. As of the date of approval of these financial statements, such approval had not been obtained.

B. Israel –war

In October 2023, a large-scale terrorist attack in southern Israel led to the outbreak of armed conflict between Israel and Hamas, which subsequently expanded to additional regional fronts and contributed to heightened geopolitical and security instability in the region.

During 2024, 2025 and into 2026, hostilities included military activity involving Lebanon and Iran and, at times, resulted in temporary disruptions to the Company’s operations in Israel. Although ceasefire arrangements were reached at various times, including in April 2026, the security situation in Israel and the surrounding region remains fragile and unpredictable.

Because the majority of the Company’s operations, management, directors and personnel are located in Israel, the Company is directly affected by economic, political and military conditions in the region. As of the date of these financial statements, management cannot reasonably estimate the extent to which any further escalation or renewed hostilities may impact the Company’s business, financial condition and results of operations.

DR. FRUCHT SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands)

NOTE 1 – GENERAL (Cont.)

C. Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business.

The Company is an established business that generates revenues from its existing products and developments. In recent periods, the Company commenced new development activities, including drone detection technologies, which resulted in increased research and development expenses. As a result, the Company incurred losses and negative cash flows from operating activities. As of December 31, 2025, the Company had an accumulated deficit of \$774 thousand. These conditions raising substantial doubt about the Company's ability to continue as a going concern within one year after the date that these financial statements are issued.

In accordance with ASC 205-40, management evaluated whether its plans alleviated the substantial doubt. Such plans included Mandragola's commitment to provide a credit line to support the Company's operations as detailed in Note 1A, and the agreement with the Stockholder and his spouse, entered following the SPA described in Note 5, pursuant to which they waived their rights to payment of accrued compensation. However, management concluded that these plans do not fully alleviate the substantial doubt about the Company's ability to continue as a going concern within one year after the date these financial statements are issued.

These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis and do not include any adjustments that may result from the outcome of such circumstances.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

A. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, certain revenues and expenses, and disclosure of contingent assets and liabilities as of the date of the financial statements. As applicable to these financial statements, the most significant estimates and assumptions relate to revenue recognition, valuation of accounts receivable and inventories. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

DR. FRUCHT SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Functional currency

The functional currency of the Company is New Israel Shekel (“NIS”). Most of the Company’s costs are denominated and determined in NIS. Management believes that the NIS is the currency in the primary economic environment in which the company operates. Thus, the functional currency of the Company is the NIS.

The financial statements are presented in US dollars.

The records of the operations were maintained in NIS and translated to the US dollar as follows: assets and liabilities are translated using the balance sheet period-end date exchange rate. Expenses and income are translated using the weighted average exchange rates for the reporting period. The net exchange difference that arises from the translation as described above, is recorded as a foreign currency translation reserve and presented in equity. The periodic changes in the foreign currency translation reserve are recorded as other accumulated comprehensive income (loss).

C. Cash and cash equivalents

Cash equivalents are short-term highly liquid investments which include short term bank deposits (up to three months from date of deposit), that are not restricted as to withdrawals or use that are readily convertible to cash with maturities of three months or less as of the date acquired.

D. Trade Receivables

Trade receivables are recognized when the Company has an unconditional right to consideration and recorded at the amount billed or billable to customer. Trade receivables are stated net of an allowance for expected credit losses, if any. In accordance with ASC 326, the Company evaluates its accounts receivable for expected credit losses on a collective or individual basis, as appropriate, based on historical experience, current conditions, and reasonable and supportable forecasts.

For the year ended December 31, 2025, one customer accounted for 100% of the Company’s revenues. For the year ended December 31, 2024, the same customer accounted for approximately 55% of the Company’s revenues.

As of December 31, 2025, all the Company’s trade receivables were due from this customer and were collected in January 2026.

E. Fair Value

The carrying amounts of cash, accounts receivable, accounts payable, accrued expenses, other current liabilities and bank borrowings approximate fair value due to the short-term nature of such instruments or because the related instruments bear interest at rates that approximate current market rates. The Company had no assets or liabilities measured at fair value on a recurring or nonrecurring basis as of December 31, 2025 and 2024.

F. Severance pay

All the Company’s employees, besides one, have been signed on Section 14 of Israel’s Severance Compensation Law, 1963 (“Section 14”). Pursuant to Section 14, the Company’s employees, covered by this section, are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made on their behalf by the Company. Payments in accordance with Section 14 release the Company from any future severance liabilities in respect of those employees. Neither severance pay liability nor severance pay fund under Section 14 are recorded in the Company’s balance sheets. As to the employee that has not signed the Section 14 clause, the Company contributes the on-going contributions on monthly basis.

DR. FRUCHT SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Revenue recognition

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers, when control of the promised products or services is transferred to the customer in an amount that reflects the consideration to which the Company expects to be entitled.

Identification of Performance Obligations and Allocation of Transaction Price

The Company's contracts with customers often include multiple promises, such as the sale of hardware systems, perpetual software licenses, installation services, and ongoing technical and warranty support. For these bundled arrangements, the Company assesses at contract inception whether the promised goods or services are distinct performance obligations. A promised good or service is considered distinct if the customer can benefit from it on its own or with other readily available resources, and the promise to transfer it is separately identifiable from other promises in the contract.

If an arrangement contains multiple distinct performance obligations, the total transaction price is allocated to each performance obligation based on the relative stand-alone selling price ("SSP") of each underlying good or service. The Company determines SSP based on the prices charged for the goods or services when sold separately. If SSP is not directly observable, the Company estimates it using an expected cost-plus-margin approach or, in limited circumstances, a residual technique.

Timing of Revenue Recognition

Revenue from maintenance, technical support and warranty support services is recognized over time as the services are performed. For these contracts the Company applies the practical expedient in ASC 606-10-55-18 because it has a right to invoice an amount that corresponds directly with the value transferred to the customer. These services are generally billed based on fixed periodic amounts or actual services performed, which reasonably reflects the value of the Company's performance completed to date.

Revenue from sale of systems, perpetual software licenses and related products is recognized at a point in time when or as control transfers to the customer, depending on the nature of the applicable performance obligations and the terms of the underlying arrangements. If an arrangement includes significant installation services that are determined to be distinct, revenue for the installation is recognized as the services are performed.

Additionally, in December 2025, the Company entered into an agreement transferring software assets and patents, and granting exclusive global commercialization rights for its metro rail technology - Metro Software to its main customer as detailed in Note 2B. The agreement also includes ongoing support and personnel services through July 2026. The Company identified multiple performance obligations and allocated the transaction price based on relative stand-alone selling prices. Revenue for the asset transfers and exclusive rights was recognized at a point in time in December 2025 upon transfer of control. Revenue for the ongoing services is being recognized over time as rendered.

DR. FRUCHT SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Income taxes

Income taxes are accounted for under the asset and liability method in accordance with ASC 740. Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates expected to apply when such differences reverse. A valuation allowance is recorded when necessary to reduce deferred tax assets to amounts more likely than not to be realized.

The Company recognizes uncertain tax positions in accordance with ASC 740-10. Interest and penalties, if any, are recognized as a component of income tax expense

I. New Accounting Pronouncements

Income Taxes: In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this ASU add specific requirements for income tax disclosures to improve transparency and decision usefulness. The guidance in ASU 2023-09 requires that public business entities disclose specific categories in the income tax rate reconciliation and provide additional qualitative information for reconciling items that meet a quantitative threshold. In addition, the amendments in ASU 2023-09 require that all entities disclose the amount of income taxes paid disaggregated by federal, state, and foreign taxes and disaggregated by individual jurisdictions. The ASU also includes other disclosure amendments related to the disaggregation of income tax expense between federal, state and foreign taxes. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this update should be applied on a prospective basis and retrospective application is permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.

In July 2025, the FASB issued ASU 2025-05 "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets". The ASU introduces a practical expedient for all entities when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606. Under the practical expedient, when developing reasonable and supportable forecast as part of estimating expected credit losses, an entity may assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The ASU is effective for annual reporting period beginning after December 15, 2025 and interim reporting within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods. The Company is evaluating the impact of ASU 2025-05 on its financial statements if it elects to apply the practical expedient.

J. Accounting Standards Not Yet Adopted

In November 2024, the FASB issued ASU No. 2024-03 Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40). The ASU improves the disclosures about a public business entity's expense and provides more detailed information about the types of expenses in commonly presented expense captions. The amendments require that at each interim and annual reporting period an entity will, inter alia, disclose amounts of purchases of inventory, employee compensation, depreciation and amortization included in each relevant expense caption (such as cost of sales, SG&A and research and development). Amounts remaining in relevant expense captions that are not separately disclosed will be described qualitatively. Certain amounts that are already required to be disclosed under currently effective U.S GAAP will be included in the same disclosure as the other disaggregation requirements. The amendments also require disclosing the total amount of selling expenses and, in annual reporting periods, the definition of selling expenses. The ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.

DR. FRUCHT SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands)

NOTE 4 – LOANS FROM BANK, FUND AND OTHER

	Interest rate %	December 31,	
		2025	2024
loan from bank	11%	44	30
loan from fund	4%	66	23
loan from other	Prime+3%	77	74
Current maturities		(33)	(37)
Loans from bank, fund and other net, of current maturities		154	90

The Company's outstanding loans are personally guaranteed by the Stockholder. As of December 31, 2025 and 2024, the Stockholder had provided guarantees for all of the Company's loans.

Maturities of the loans as of December 31, 2025, were as follows:

Year ended December 31,

2026	33
2027	34
2028	37
2029 - 2031	83
Total	187

	December 31,	
	2025	2024
Short term loans from Bank	-	42
Long-term loan from Banks - current maturities	33	37
Current maturities of loans	33	79

DR. FRUCHT SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands)

NOTE 5 – RELATED PARTY TRANSACTIONS

Stockholder loans

Over the years, the Company has received loans from a stockholder. The loans are denominated in New Israeli Shekels (“NIS”), indexed to the Israeli Consumer Price Index (“CPI”), and are non-interest-bearing. No written agreement exists with respect to these loans. The loans have no stated maturity date and are repayable on demand or pursuant to future agreement between the parties.

Accrued compensation

As of December 31, 2025 and 2024, accrued compensation included related-parties amounts payable to the Stockholder and the spouse of the Stockholder for services rendered in prior years. As of December 31, 2025, such amounts consisted of \$324 thousand payable to the spouse of a Stockholder and \$76 thousand payable to the Stockholder. As of December 31, 2024, such amounts consisted of \$241 thousand payable to the spouse of the Stockholder and \$56 thousand payable to the Stockholder. These amounts are included in accrued compensation in the accompanying balance sheets.

In April 2026, following the execution of the share purchase agreement described in Note 1A, the Stockholder and the Stockholder’s spouse waived their rights to payment of the accrued compensation described above. These waivers were recorded as contributions to stockholders’ deficit and recognized directly in equity within a reserve for transactions with related parties.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Israel Innovation Authority (“IIA”) Grants:

During 2024 and 2025, the Company received grants from the Israeli Innovation Authority (the “IIA”) in connection with the development of a green robotic system for the detection and neutralization of drones in urban areas. The aggregate approved grant amount was up to NIS 1.6 million (approximately \$0.5 million), of which up to 50% of qualifying expenditures are financed by the IIA. As of December 31, 2025, the Company had received grants totaling \$186 thousand.

In consideration for the grants received, the Company is obligated to pay royalties to the IIA at a rate of 3% of future revenues derived from the related project, up to the aggregate amount of grants received. As of December 31, 2025, no revenues had been generated from the related project and, therefore, no liability in respect of royalties had been recorded

NOTE 7 – STOCKHOLDERS’ EQUITY

Description of the rights attached to the Shares in the Company:

Common stock:

The Ordinary shares confer upon their holders the right to participate and vote in the stockholders’ meetings of the Company and the right to participate in any distribution of dividends.

DR. FRUCHT SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands)

NOTE 8 – REVENUES

	Year ended December 31	
	2025	2024
Maintenance, repairs and technical support	104	5
Software upgrade, installation and immigration	40	84
Sale of exclusive distribution right for Metro Software	140	-
Other	8	1
	<u>292</u>	<u>90</u>

NOTE 9 – RESEARCH AND DEVELOPMENT EXPENSES

	Year ended December 31	
	2025	2024
Salaries and related expenses	264	198
Rent and office expenses	22	19
Other expenses	23	40
Grants from the Israel Innovation Authority (“IIA”)	(47)	(139)
	<u>262</u>	<u>118</u>

NOTE 10 - GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31	
	2025	2024
Salaries and related expenses	74	71
Professional services	11	15
Depreciation	10	4
Other expenses	31	18
	<u>126</u>	<u>108</u>

DR. FRUCHT SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS
(USD in thousands)

NOTE 11 – INCOME TAX

Income of the Company is taxable at corporate tax rate of 23%.

The Company have not received final tax assessments since its inception although the tax reports of the Company for the years ended by December 31, 2018 are deemed to be final.

As of December 31, 2025, the Company have carried forward losses for tax purposes of approximately \$380 thousand, which can be offset against future taxable income, if any.

Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	December 31,	
	2025	2024
<u>Deferred tax assets</u>		
Net operating losses carryforwards	87	48
Employees accruals	3	6
Gross deferred tax assets	90	54
Valuation allowance	(90)	(54)
Total deferred tax assets, net	-	-

DR. FRUCHT SYSTEMS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2026

DR. FRUCHT SYSTEMS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2026

TABLE OF CONTENTS

	Page
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED):	
Condensed Interim Balance Sheets (unaudited)	F-3
Condensed Interim Statements of Comprehensive Loss (unaudited)	F-4
Condensed Interim Statements of Changes in Stockholders' Deficit (unaudited)	F-5
Condensed Interim Statements of Cash Flows (unaudited)	F-6
Notes to Condensed Interim Financial Statements	F-7 – F-10

DR. FRUCHT SYSTEMS LTD.
UNAUDITED CONDENSED INTERIM BALANCE SHEETS
(USD in thousands)

	March 31, 2026	December 31, 2025
ASSETS		
Current assets		
Cash and cash equivalents	138	5
Bank deposits	48	15
Trade receivable	87	108
Other receivables	5	13
	278	141
Non- current assets		
Property and equipment, net	59	4
Total Assets	337	145
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Current maturities of loans	42	33
Related party credit line	100	-
Trade payable	15	8
Accrued compensation- related parties	457	400
Related party's loan	335	364
Other payables	138	32
	1,087	837
Loans from bank, fund and other net, of current maturities	185	154
Accrued severance	18	13
Total liabilities	1,290	1,004
Stockholders' Deficit		
Common stock of NIS 1 par value each: 6,000 shares authorized as of March 31, 2026 and December 31, 2025; issued and outstanding 6,000 shares as of March 31, 2026 and December 31, 2025.	2	2
Other comprehensive income	(89)	(87)
Accumulated deficit	(866)	(774)
Total Stockholders' Deficit	(953)	(859)
Total liabilities and stockholders' Deficit	337	145

The accompanying notes are an integral part of the financial statements.

DR. FRUCHT SYSTEMS LTD.
 UNAUDITED CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
 (USD in thousands)

	Three months ended	
	March 31	
	2026	2025
Revenues	87	-
Research and development expenses	(100)	(47)
General and administrative expenses	(74)	(28)
Operating Loss	(87)	(75)
Financial expenses, net	(8)	(3)
Other income	3	5
Net Loss	(92)	(73)
Other comprehensive income (loss)	(2)	10
Net loss and total comprehensive loss	(94)	(63)

The accompanying notes are an integral part of the financial statements.

DR. FRUCHT SYSTEMS LTD.
UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN STOCKHOLDER DEFICIT
(USD in thousands)

	Number of Shares	Amount	Accumulated other comprehensive loss	Accumulated losses	Total stockholders' deficit
BALANCE AT DECEMBER 31, 2025	6,000	2	(87)	(774)	(859)
Comprehensive loss	-	-	(2)	-	(2)
Net loss	-	-	-	(92)	(92)
BALANCE AT MARCH 31, 2026	6,000	2	(89)	(866)	(953)

	Number of Shares	Amount	Other comprehensive income	Accumulated deficit	Total stockholders' deficit
BALANCE AT DECEMBER 31, 2024	6,000	2	(1)	(655)	(654)
Comprehensive income	-	-	10	-	10
Net loss	-	-	-	(73)	(73)
BALANCE AT MARCH 31, 2025	6,000	2	9	(728)	(717)

(*) represents amount less than \$1 thousand.

The accompanying notes are an integral part of the financial statements.

DR. FRUCHT SYSTEMS LTD.
UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(USD in thousands)

	Three months ended	
	March 31	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(92)	(73)
Adjustments required to reconcile net loss for the year to net cash used in operating activities:		
Depreciation	2	1
Interest expenses	1	1
Change in accrued severance	5	-
Decrease in trade receivable	23	-
Decrease in other receivables	7	11
Increase (decrease) in trade payable	7	(9)
Increase in accrued compensation- related parties	57	12
Increase in other liabilities	72	14
Net cash provided by (used in) operating activities	<u>82</u>	<u>(43)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Purchase of property and equipment	(57)	-
Decrease (increase) in short term bank deposit	(33)	13
Net cash provided by (used in) investment activities	<u>(90)</u>	<u>13</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short term loan from bank, net	-	(17)
Related party credit line	100	-
Long-term loans	48	-
Repayment of loans	(7)	(5)
Net cash provided by (used in) financing activities	<u>141</u>	<u>(22)</u>
Net increase (decrease) in cash and cash equivalents	133	(52)
Cash and cash equivalents at the beginning of the period	5	59
Cash and cash equivalents at the end of the period	<u>138</u>	<u>7</u>

The accompanying notes are an integral part of the financial statements.

DR. FRUCHT SYSTEMS LTD.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
(USD in thousands)

NOTE 1 – GENERAL

- A. Dr. Frucht Systems Ltd. (“the Company” or “DFSL”) is a private company incorporated in Israel in 1995. The Company specializes in the development, production and marketing of advanced homeland security and defense solutions based on proprietary LADAR/LIDAR “Time of Flight” technology and AI-driven laser sensor systems.

The Company develops and manufactures laser radar sensors, perimeter protection systems, drone detection technologies, virtual fencing solutions and related security applications for critical infrastructure, military facilities, airports, ports, correctional facilities and other sensitive sites worldwide.

On March 31, 2026, BiomX Inc. (“BiomX”) and Mandragola Ltd, a company formed under the laws of the State of Israel (“Mandragola”), entered into an option and undertaking agreement pursuant to which BiomX was granted an exclusive and irrevocable option to acquire Mandragola’s equity interests in the Company. On April 13, 2026, BiomX exercised the option and entered into, and simultaneously closed, a stock purchase and assignment agreement with Mandragola pursuant to which BiomX acquired shares representing 60% of the Company’s issued and outstanding voting share capital on a fully diluted basis. The remaining 40% of the Company’s issued and outstanding voting share capital is held by Dr. Frucht Isak Yaakov (“Stockholder”). Mandragola committed to provide, or make available, a credit line to support DFSL’s operations, in an amount and on terms to be mutually agreed upon. As of the balance sheet date, Mandragola provided the Company \$100 thousand as a credit line. As of the date of issuance of these financial statements, the interest terms and repayment schedule had not yet been determined.

The Company has previously received grants from the Israel Innovation Authority (“IIA”) in connection with the development of its anti-drone technology. Accordingly, the transfer of ownership and control of the Company contemplated by the transaction is subject to the written confirmation and approval of the IIA. As of the date of approval of these financial statements, such approval had not been obtained.

B. Israel –war

In October 2023, a large-scale terrorist attack in southern Israel led to the outbreak of armed conflict between Israel and Hamas, which subsequently expanded to additional regional fronts and contributed to heightened geopolitical and security instability in the region.

During 2024, 2025 and into 2026, hostilities included military activity involving Lebanon and Iran and, at times, resulted in temporary disruptions to the Company’s operations in Israel. Although ceasefire arrangements were reached at various times, including in April 2026, the security situation in Israel and the surrounding region remains fragile and unpredictable.

Because the majority of the Company’s operations, management, directors and personnel are located in Israel, the Company is directly affected by economic, political and military conditions in the region. As of the date of these financial statements, management cannot reasonably estimate the extent to which any further escalation or renewed hostilities may impact the Company’s business, financial condition and results of operations.

DR. FRUCHT SYSTEMS LTD.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
(USD in thousands)

NOTE 1 – GENERAL (Cont.)

C. Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business.

The Company is an established business that generates revenues from its existing products and developments. In recent periods, the Company commenced new development activities, including drone detection technologies, which resulted in increased research and development expenses. As a result, the Company incurred losses and as of March 31, 2026, the Company had an accumulated losses of \$866 thousand. These conditions raising substantial doubt about the Company's ability to continue as a going concern within one year after the date that these financial statements are issued.

In accordance with ASC 205-40, management evaluated whether its plans alleviated the substantial doubt. Such plans included Mandragola's commitment to provide a credit line to support the Company's operations as detailed in Note 1A, and the agreement with the Stockholder and his spouse, entered following the SPA described in Note 3, pursuant to which they waived their rights to payment of accrued compensation. However, management concluded that these plans do not fully alleviate the substantial doubt about the Company's ability to continue as a going concern within one year after the date these financial statements are issued.

These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis and do not include any adjustments that may result from the outcome of such circumstances.

NOTE 2– SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for condensed financial information. They do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair statement have been included (consisting only of normal recurring adjustments except as otherwise discussed).

The financial information contained in this report should be read in conjunction with the annual financial statements for the fiscal year ended December 31, 2025. The year-end balance sheet data was derived from the audited financial statements as of December 31, 2025. The significant accounting policies adopted and used in the preparation of the financial statements are consistent with those of the previous financial year.

A. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements and the amounts of expenses during the reported years. The most significant estimates in the Company's financial statements relate to financial instruments fair value valuation. These estimates and assumptions are based on current facts, future expectations, and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results may differ materially and adversely from these estimates.

DR. FRUCHT SYSTEMS LTD.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
(USD in thousands)

NOTE 2– SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Trade Receivables

Trade receivables are recognized when the Company has an unconditional right to consideration and recorded at the amount billed or billable to customer. Trade receivables are stated net of an allowance for expected credit losses, if any. In accordance with ASC 326, the Company evaluates its accounts receivable for expected credit losses on a collective or individual basis, as appropriate, based on historical experience, current conditions, and reasonable and supportable forecasts.

For the three months ended March 31, 2026, one customer accounted for 100% of the Company’s revenues.

As of December 31, 2025, all of the Company’s trade receivables were due from this customer and were collected in January 2026. As of March 31, 2026, all of the Company’s trade receivables were due from the same customer pursuant to the related agreement and are expected to be collected during the second and third quarters of 2026.

C. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The Company’s principal property and equipment asset consists of a motor vehicle purchased during the first quarter of 2026. The vehicle is depreciated over its estimated useful life, which management has determined to be 7 years.

D. Revenue recognition

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers, when control of the promised products or services is transferred to the customer in an amount that reflects the consideration to which the Company expects to be entitled.

Identification of Performance Obligations and Allocation of Transaction Price

The Company’s contracts with customers often include multiple promises, such as the sale of hardware systems, perpetual software licenses, installation services, and ongoing technical and warranty support. For these bundled arrangements, the Company assesses at contract inception whether the promised goods or services are distinct performance obligations. A promised good or service is considered distinct if the customer can benefit from it on its own or with other readily available resources, and the promise to transfer it is separately identifiable from other promises in the contract.

If an arrangement contains multiple distinct performance obligations, the total transaction price is allocated to each performance obligation based on the relative stand-alone selling price (“SSP”) of each underlying good or service. The Company determines SSP based on the prices charged for the goods or services when sold separately. If SSP is not directly observable, the Company estimates it using an expected cost-plus-margin approach or, in limited circumstances, a residual technique.

Timing of Revenue Recognition

Revenue from maintenance, technical support and warranty support services is recognized over time as the services are performed. For these contracts the Company applies the practical expedient in ASC 606-10-55-18 because it has a right to invoice an amount that corresponds directly with the value transferred to the customer. These services are generally billed based on fixed periodic amounts or actual services performed, which reasonably reflects the value of the Company’s performance completed to date.

DR. FRUCHT SYSTEMS LTD.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
(USD in thousands)

NOTE 2– SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. Revenue recognition (Cont.)

Revenue from sale of systems, perpetual software licenses and related products is recognized at a point in time when or as control transfers to the customer, depending on the nature of the applicable performance obligations and the terms of the underlying arrangements. If an arrangement includes significant installation services that are determined to be distinct, revenue for the installation is recognized as the services are performed.

Additionally, in December 2025, the Company entered into an agreement transferring software assets and patents, and granting exclusive global commercialization rights for its metro rail technology - Metro Software to its main customer as detailed in Note 2B. The agreement also includes ongoing support and personnel services through July 2026. The Company identified multiple performance obligations and allocated the transaction price based on relative stand-alone selling prices. Revenue for the asset transfers and exclusive rights was recognized at a point in time in December 2025 upon transfer of control. Revenue for the ongoing services is being recognized over time as rendered through July 2026.

NOTE 3 – RELATED PARTIES

Related party's loans

Over the years, the Company has received loans from a stockholder. The loans are denominated in New Israeli Shekels (“NIS”), indexed to the Israeli Consumer Price Index (“CPI”), and are non-interest-bearing. No written agreement exists with respect to these loans. The loans have no stated maturity date and are repayable on demand or pursuant to future agreement between the parties.

Accrued compensation

As of March 31, 2026 and December 31, 2025, accrued compensation included related-parties amounts payable to a Stockholder and the spouse of a Stockholder for services rendered in prior years. As of March 31, 2026, such amounts consisted of \$343 thousand payable to the spouse of a Stockholder and \$114 thousand payable to a Stockholder. As of December 31, 2025, such amounts consisted of \$324 thousand payable to the spouse of a Stockholder and \$76 thousand payable to a Stockholder. These amounts are included in accrued compensation in the accompanying balance sheets.

In April 2026, following the execution of the share purchase agreement described in Note 1A, the Stockholder and the Stockholder’s spouse waived their rights to payment of the accrued compensation described above. These waivers were recorded as contributions to stockholders’ deficit and recognized directly in equity within a reserve for transactions with related parties.

Credit line from related party

As detailed in Note 1A, Mandragola committed to provide, or make available, a credit line to support DFSL’s operations, in an amount and on terms to be mutually agreed upon. In Q1 2026, Mandragola provided the Company \$100 thousand as a credit line. As of the date of issuance of these financial statements, the interest terms and repayment schedule had not yet been determined.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The accompanying unaudited pro forma condensed combined financial information gives effect to two acquisitions completed by BiomX Inc. in April 2026: (i) the acquisition from Mandragola of 100% of Mandragola's shareholdings in DR. Frucht Systems Ltd. ("DFSL"), representing 60% of DFSL's issued and outstanding voting equity capital on a fully diluted basis, which closed on April 13, 2026; and (ii) the acquisition from Water IO Ltd. of 100% of the issued and outstanding share capital of Zorro Net Ltd. ("ZorroNet"), which closed on April 10, 2026. The consideration, principal terms and related transaction details are described in Note 1, "Description of Transaction and Basis of Presentation," to these unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined balance sheet as of March 31, 2026 gives effect to the acquisitions as if they had been consummated on March 31, 2026. The unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2026 and for the year ended December 31, 2025 give effect to the acquisitions as if they had been consummated on January 1, 2025. The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have been achieved had the acquisitions occurred on the dates indicated, nor does it purport to project future results.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2026
(U.S. dollars in thousands except share and per share amounts)

	BIOMX INC.	DR. FRUCHT SYSTEMS LTD	ZORRO NET LTD	PRO FORMA ADJUSTMENTS	NOTE	PRO FORMA
	<u>Historical</u>	<u>Historical</u>	<u>Historical</u>			
Assets						
Current Assets						
Cash and cash equivalents	1,168	138	34			1,340
				(3,750)	2b(1), 2b(3)	(3,750)
Bank deposits	-	48	-			48
Accounts receivable	-	87	367			454
Other current assets	1,875	5	4			1,884
Total Current assets	<u>3,043</u>	<u>278</u>	<u>405</u>	<u>(3,750)</u>		<u>(24)</u>
Non-current Assets						
Goodwill	-	-	-	8,742	2c	8,742
				6,480	2j	6,480
Intangible assets				8,742	2c	8,742
				856	2j	856
Operating lease right-of-use asset	-	-	2			2
Property and equipment	-	59	37			96
In-process Research and development (“IPR&D”) asset	208	-	-			208
Total assets	<u>3,251</u>	<u>337</u>	<u>444</u>	<u>24,420</u>		<u>25,102</u>
Liabilities and Capital Deficiency						
Current Liabilities						
Short term loans and current maturities of loans	-	42	150			192
Related party credit line	-	100	407			507
Trade account payables	720	15	21			756
Balance due Biomx Ltd	1,254	-	-			1,254
Accrued compensation- related parties	-	457	-			457
Promissory note consideration	-	-	-	1,250	2i(3)	1,250
Contingent consideration	-	-	-	1,600	2(i)2	1,600
Related party’s loan	-	335	120			455
Current portion of lease liabilities	-	-	2			2
Other account payables	473	138	354	(38)		927
Total current liabilities	<u>2,447</u>	<u>1,087</u>	<u>1,054</u>	<u>2,812</u>		<u>7,400</u>
Non-current Liabilities						
Long term loans fund and other, net of current maturities	-	185	116			301
Accrued severance	-	18	-			18
Warrants	1,685	-	-			1,685
Total non-current liabilities	<u>1,685</u>	<u>203</u>	<u>116</u>			<u>2,004</u>
Total liabilities	<u>4,132</u>	<u>1,290</u>	<u>1,170</u>			<u>9,404</u>
Capital deficiency						
Preferred Stock	18,617	-	-			18,617
Common stock	7	2	4			13
				(2)	2a	(2)
				(4)	2h	(4)
				6,168	2b(2),2b(4)	6,168
				3,760	2i(1)	3,760
Receivables on account of shares	(3,300)	-	-			(3,300)
Other comprehensive loss	-	(89)	(61)			(150)
				89	2a	89
				61	2h	61
Additional paid-in capital	219,831	-	-			219,831
Accumulated deficit	(236,036)	(866)	(669)			(237,571)
				866	2a	866
				669	2h	669
Total Company’s stockholders’ equity	<u>(881)</u>	<u>(953)</u>	<u>(726)</u>	<u>11,607</u>		<u>9,047</u>
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,650</u>		<u>6,651</u>
Total capital equity (deficiency)	<u>(881)</u>	<u>(953)</u>	<u>(726)</u>	<u>18,257</u>		<u>15,698</u>
Total liabilities and capital deficiency	<u>3,251</u>	<u>337</u>	<u>444</u>			<u>25,102</u>

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Three months Ended March 31, 2026
(U.S. dollars in thousands except share and per share amounts)

	BIOMX INC.	DR. FRUCHT SYSTEMS LTD	ZORRO NET LTD	PRO FORMA ADJUSTMENTS	NOTE	PRO FORMA
	<u>Historical</u>	<u>Historical</u>	<u>Historical</u>			
Revenues	-	87	351			438
Cost of revenues	-	-	(273)			(273)
				(251)	2c,2j	(251)
Gross profit (loss)	<u>-</u>	<u>87</u>	<u>78</u>	<u>(251)</u>		<u>(86)</u>
Operating expenses:						
Research and development (“R&D”) expenses, net	315	(100)	(78)			137
General and administrative expenses	(1,611)	(74)	(74)			(1,759)
Operating loss	<u>(1,296)</u>	<u>(87)</u>	<u>(74)</u>	<u>(251)</u>		<u>(1,708)</u>
Other income (expenses)	147	3				150
Net gain from deconsolidation of subsidiary	1,860					1,860
Interest expenses	(192)					(192)
Day one loss upon entering transaction	(5,226)					(5,226)
Loss (income) from change in derivatives financial instruments measured at fair value	(14,056)					(14,056)
Finance expense, net	(377)	(8)	(8)			(393)
Net loss before tax	<u>(19,140)</u>	<u>(92)</u>	<u>(82)</u>	<u>(251)</u>		<u>(19,565)</u>
Tax expenses	-	-	-			-
Net loss	<u>(19,140)</u>	<u>(92)</u>	<u>(82)</u>	<u>(251)</u>		<u>(19,565)</u>
Less: Net loss attributable to non-controlling interests	-	38	-	101		139
Net loss attributable to the Company’s stockholders’ equity	<u>(19,140)</u>	<u>(54)</u>	<u>(82)</u>	<u>(150)</u>		<u>(19,426)</u>
Translation to presentation currency	-	(2)	(1)			(3)
Total loss and other comprehensive loss	<u>(19,140)</u>	<u>(56)</u>	<u>(83)</u>	<u>(150)</u>		<u>(19,429)</u>
Basic and diluted loss per share of Common Stock	<u>7.38</u>					<u>3.38</u>
Weighted average number of shares used in computing basic loss per share of Common Stock(*)	<u>2,603,807</u>					<u>5,749,807</u>

(*) All share amounts have been retroactively adjusted to reflect a 1-for-19 reverse share split.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2025
(U.S. dollars in thousands except share and per share amounts)

	BIOMX INC.	DR. FRUCHT SYSTEMS LTD	ZORRO NET LTD	PRO FORMA ADJUSTMENTS	NOTE	PRO FORMA
	<u>Historical</u>	<u>Historical</u>	<u>Historical</u>			
Revenues	-	292	617			909
Cost of revenues	-	-	(449)			(449)
				(1,006)	2c,2j	(1,006)
Gross profit (loss)	<u>-</u>	<u>292</u>	<u>168</u>	<u>(1,006)</u>		<u>(546)</u>
Operating expenses:						
Research and development (“R&D”) expenses, net	(20,977)	(262)	(177)			(21,416)
General and administrative expenses	(9,943)	(126)	(274)			(10,343)
Gain from early lease termination	2,949	-	-			2,949
IPR&D impairment	(11,842)	-	-			(11,842)
Other long-lived assets impairment	(1,653)	-	-			(1,653)
Operating loss	<u>(41,466)</u>	<u>(96)</u>	<u>(283)</u>	<u>(1,006)</u>		<u>(42,851)</u>
Other income (expense)	(93)	5				(88)
Interest expenses	(20)	(28)				(48)
Finance expense, net	(724)	-				(724)
Income from change in fair value of warrants	6,111	-	(23)			6,088
Net loss before tax	<u>(36,192)</u>	<u>(119)</u>	<u>(306)</u>	<u>(1,006)</u>		<u>(37,623)</u>
Tax expenses	(7)	-	-			(7)
Net loss	<u>(36,199)</u>	<u>(119)</u>	<u>(306)</u>	<u>(1,006)</u>		<u>(37,630)</u>
Less: Net loss attributable to non-controlling interests	-	82	-	402		484
Net loss attributable to the Company’s stockholders’ equity	<u>(36,199)</u>	<u>(37)</u>	<u>(306)</u>	<u>(604)</u>		<u>(37,146)</u>
Translation to presentation currency	-	(86)	(63)			(149)
Net loss	<u><u>(36,199)</u></u>	<u><u>(123)</u></u>	<u><u>(369)</u></u>	<u><u>(604)</u></u>		<u><u>(37,295)</u></u>
Basic and diluted loss per share of Common Stock	(22.19)					(7.81)
Weighted average number of shares used in computing basic loss per share of Common Stock(*)	<u>1,631,037</u>					<u>4,777,037</u>

(*) All share amounts have been retroactively adjusted to reflect a 1-for-19 reverse share split.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of Transaction and Basis of Presentation

Description of Transaction

1. On March 31, 2026, the Company and Mandragola, entered into an Option Agreement, which was closed on April 10, 2026, pursuant to which the Company was granted an Option to purchase 100% of Mandragola's shareholdings in DFSL. The closing of the Option is subject to the closing by Mandragola on its agreement with DFSL and DFSL's Shareholdings. Upon the closing by Mandragola of its acquisition of the DFSL Shareholdings, BiomX intends to contemporaneously close on the Option. The closing by Mandragola of the purchase of the DFSL Shareholdings is subject to standard closing conditions as well as the written confirmation and approval of the Israel Innovation Authority ("IIA") to the transfer of ownership and control of DFSL contemplated under such agreement (which have not been received to the date of the approval of the financial statement). DFSL has previously received grants from the IIA for the development of its anti-drone technology.

On April 13, 2026, the Company entered into and simultaneously closed on a SPA with Mandragola, pursuant to which the Company exercised the Option and purchased from Mandragola 100% of Mandragola's shareholdings in DFSL, representing 60% of the issued and outstanding voting equity capital of DFSL on a fully diluted basis (the "Purchased Shares"). The closing of the SPA occurred simultaneously with its execution and delivery.

In consideration for the Purchased Shares, the Company agreed to the following consideration to Mandragola:

- (i) a cash payment of Seven Hundred Fifty Thousand Dollars (\$750,000), of which Four Hundred Fifty Thousand (\$450,000) was advanced by the Company;
- (ii) the issuance of an unsecured convertible promissory note in the principal amount of Three Million Dollars (\$3,000,000) (the "Note"), convertible solely at the option of the Company into shares of the Company's common stock, par value \$0.0001 per share (the "Common Stock") at a per share conversion rate of \$12.00;
- (iii) the issuance of 923,000 shares of the Common Stock;
- (iv) the issuance of pre-funded warrants exercisable for 923,000 shares of Common Stock at a per share exercise price of \$12.00 (the "Pre-Funded Warrants"); and
- (v) the issuance of a five-year warrant exercisable for 3,692,000 shares of Common Stock at a per share exercise price of \$12.00 (the "Five Year Warrant").

The shares of Common Stock and the Common Stock issuable upon conversion of the Note and exercise of the Pre-Funded Warrants and Five Year Warrant are subject to obtaining Stockholder Approval as required by the applicable rules and regulations of the NYSE American LLC. The Company intends to use commercially reasonable efforts to obtain Stockholder Approval within one hundred twenty (120) days following the closing of the SPA.

As additional consideration, the Company agreed that in the event that DFSL records annual revenues of Twenty-Five Million Dollars (\$25,000,000) or more in any fiscal year on or after fiscal year 2027, Mandragola shall be entitled to a bonus payment equal to five percent (5%) of such recorded annual revenues for such fiscal year. The bonus is payable, at the sole discretion of the Company, in restricted shares of Common Stock (valued at the volume-weighted average price for the ten (10) trading days immediately preceding the date of payment) or cash, within sixty (60) days following the completion of DFSL's audited financial statements for the applicable fiscal year.

2. On April 10, 2026, the Company entered into and simultaneously closed a definitive SPA with Water IO, pursuant to which the Company acquired 100% of the issued and outstanding share capital of ZorroNet.

As consideration, the Company issued to Water IO: (i) 1,300,000 shares of common stock; and (ii) a non-convertible promissory note in the amount of \$1,250,000, bearing interest at the short-term applicable federal rate, payable July 7, 2026. The note is non-convertible and will not result in any additional dilution to existing stockholders.

The Company also assumed certain obligations to ZorroNet's founders, including a performance-based earnout payable by March 31, 2027 equal to the greater of 125% of ZorroNet's 2026 consolidated revenue or 8x 2026 consolidated EBITDA, and a commitment to retain key ZorroNet personnel for three years on no less favorable terms.

The Company has agreed to file a registration statement with the SEC within 45 days of closing covering the resale of the shares issued to Water IO.

Basis of Presentation

In accordance with Article 11-02 of Regulation S-X, the objective of the pro forma financial information is to provide investors with information about the continuing impact of a particular transaction by illustrating how the acquisition of DFSL and ZorroNet by BiomX might have affected BiomX's historical financial statements if the transaction had been consummated at an earlier time.

On April 10, 2026 and April 13, 2026, the Company completed the acquisition of DFSL and ZorroNet pursuant to the Purchase Agreements dated April 10, 2026 and April 13, 2026, respectively. The following unaudited pro forma condensed combined balance sheet as of March 31, 2026 combines the unaudited historical consolidated interim balance sheet of BiomX as of March 31, 2026, with the unaudited historical balance sheets of DFSL and ZorroNet as of March 31, 2026, giving effect to the Purchase Agreements, as if they had been consummated as of that March 31, 2026. The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2026 and for the year ended December 31, 2025, gives effect to the Purchase Agreements, and related financing transactions, as if they had been completed on January 1, 2025, the beginning of the earliest period presented.

The unaudited pro forma condensed combined financial information does not purport to be indicative of the financial position and results of operations that the Company will obtain in the future, or that the Company would have obtained if the acquisitions had been consummated as of the dates indicated above. The pro forma adjustments are based upon currently available information and upon certain assumptions that the Company believes are reasonable. The unaudited pro forma condensed combined financial statements should be read in conjunction with the historical consolidated financial statements of the Company.

2. Pro Forma Adjustments

The unaudited pro forma combined financial statements include pro forma adjustments that are (i) directly attributable to the transaction which was completed in April 2026 contemplated by the Purchase Agreement, and (ii) factually supportable,

The pro forma adjustments reflect the initial purchase price allocation (“PPA”) determined as of the Closing Date, based on the estimated fair values of the assets acquired and liabilities assumed in accordance with ASC 805, Business Combinations. Additionally, the unaudited pro forma condensed combined financial statements do not give effect to revenue synergies, operating efficiencies or cost savings that may be achieved with respect to the combined company.

The accounting policies used in the preparation of the unaudited pro forma condensed combined financial information are consistent with those described in BiomX’s unaudited financial statements as of and for the three months ended March 30, 2026. Management performed a comprehensive review of the accounting policies between the two entities. Management is currently not aware of any significant accounting policy differences and has therefore not made any adjustments to the pro forma condensed combined financial information related to any potential differences.

The following adjustments have been reflected in the unaudited pro forma condensed combined financial information in relation to the purchase of DFSL:

- a. Intercompany transactions and balances between BiomX and DFSL have been eliminated by the Company in the unaudited pro forma condensed combined balance sheet.
- b. The total consideration of the acquisition of 60% of DFSL was at approximately \$9,918,320 and is comprised of the following components:
 1. Cash consideration of \$750,000.
 2. Share and pre-funded warrants consideration consisting of (i) 923,000 shares, issued at a fair value of \$2.63 per share, BiomX’s close share price at April 13, 2026, and (ii) pre-funded warrants exercisable for 923,000 shares of Common Stock at a per share exercise price of \$12.00, totaled to approximately \$4,839,200 and is included as part of common stock and additional paid-in capital.
 3. On April [], 2026, the unsecured convertible promissory note was converted into shares of the Company’s Common Stock at a per share conversion rate of \$12.00. Accordingly, for purposes of this pro forma, the \$3,000,000 consideration is reflected as a reduction to cash and cash equivalents and an increase to Common Stock and additional paid-in capital.
 4. Five-year warrant exercisable for 3,692,000 shares of Common Stock at a per share exercise price of \$12.00. The warrants consideration was calculated at approximately \$1,329,120 and is included as part of additional paid-in capital.

The fair value of warrant consideration was calculated by the Company using the Black-Scholes option pricing model with the following assumptions: _____.

Expected volatility	53.00%
Risk-free interest rate	4.00%
Expected dividend yield	0%
Expected term of options (years)	5
Share price	\$ 2.63
Fair value	\$ 1,329,120

c. Estimated consideration and PPA

The Company has performed a valuation analysis to determine the fair market value of the assets acquired and liabilities assumed of DFSL. Based on the total consideration transferred in connection with the acquisition, the Company has determined the allocation of the purchase consideration to the identifiable assets acquired and liabilities assumed. The following table summarizes the allocation of the purchase price as of March 31, 2026:

Fair value of consideration transferred for the 60% controlling interest	\$ 9,918,320
Fair value of non-controlling interest — 40%	6,612,213
Aggregate acquisition-date fair value of DFSL	<u>16,530,533</u>
Less: fair value of identifiable net assets acquired / net liabilities assumed	<u>(953,000)</u>
Goodwill and identifiable intangible assets	<u>\$ 17,483,533</u>

The estimated fair value of the non-controlling interest was determined on a preliminary basis by reference to the consideration transferred for the 60% controlling interest, without adjustment for any control premium or minority discount. The purchase price allocation is preliminary and subject to change upon completion of the valuation of the identifiable assets acquired, liabilities assumed and non-controlling interest. The Company equally allocated the excess of the purchase price over the fair value of identifiable net assets acquired between goodwill and intangible assets. The Company has estimated the amortization of the other intangible assets over a period of ten years.

The following adjustments have been reflected in the unaudited pro forma condensed combined financial information in relation to the purchase of ZorroNet:

- h. Intercompany transactions and balances between BiomX and ZorroNet have been eliminated in the unaudited pro forma condensed combined balance sheet.
- i. The total consideration of the acquisition of ZorroNet was calculated by the Company at approximately \$6,610,000 and is comprised of the following components:
 1. Share consideration consisting of 1,300,000 shares of the Company's Common Stock, issued at a fair value of \$2.89 per share BiomX's close share price at April 10, 2026 totaled to approximately \$3,760,000 and is included as part of common stock and additional paid-in capital.
 2. Non-convertible promissory note in the amount of \$1,250,000, bearing interest at the short-term applicable federal rate, payable July 7, 2026 and is included as part of non-current liabilities.
 3. Contingent cash consideration. Pursuant to the terms of the Purchase Agreement, The Company also assumed certain obligations to ZorroNet's founders, including a performance-based earnout payable by March 31, 2027 equal to the greater of 125% of ZorroNet's 2026 consolidated revenue or 8x 2026 consolidated EBITDA, and a commitment to retain key ZorroNet personnel for three years on no less favorable terms. The contingent consideration was calculated at approximately \$1,600,000 which is included in current liabilities.

j. Estimated consideration and PPA

The Company has performed a valuation analysis to determine the fair market value of the assets acquired and liabilities assumed of ZorroNet. Based on the total consideration transferred in connection with the acquisition, the Company has determined the allocation of the purchase consideration to the identifiable assets acquired and liabilities assumed. The following table summarizes the allocation of the purchase price as of March 31, 2026:

Net liabilities assumed	\$ (726,000)
Goodwill and intangible assets	7,336,000
Total fair value of consideration	<u>\$ 6,610,000</u>

The purchase price allocation is preliminary and subject to change upon completion of the valuation of the identifiable assets acquired, liabilities assumed and non-controlling interest. The Company equally allocated the excess of the purchase price over the fair value of identifiable net assets acquired between goodwill and intangible assets. The Company has estimated the amortization of the other intangible assets over a period of between 3 to ten years.