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

FORM 10-Q

(Mark One)

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

For the quarter ended June 30, 2026

or

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

For the transition period from __________ to __________

Commission file number: 001-38762

BiomX Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**82-3364020**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

850 New Burton Road, Suite 201, Dover, DE 19904
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: +972 52 437 4900

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	PHGE	NYSE American

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

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

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

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

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

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

As of August 18, 2026, the registrant had 26,723,870 shares of common stock, $0.0001 par value per share, issued and outstanding.

BIOMX, INC.

Form 10-Q

June 30, 2026

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact contained in this Quarterly Report, including statements regarding our strategic transition to the defense, security and critical infrastructure technology markets, the integration and expected performance of our recently acquired subsidiaries, our future results of operations and financial position, business strategy, prospective products and services, the expected outcome of the insolvency proceedings of BiomX Ltd. and the anticipated Chapter 7 filing of Adaptive Phage Therapeutics, LLC, our ability to regain compliance with the continued listing standards of the NYSE American, our ability to obtain stockholder approvals required by the rules of the NYSE American, our expectations regarding our ability to raise capital, including under our at-the-market offering program, and our ability to continue as a going concern, are forward-looking statements.

These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions.

Factors that may cause actual results to differ materially from current expectations include, among other things, those described in Part II, Item 1A "Risk Factors" of this Quarterly Report, in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed with the Securities and Exchange Commission (the "SEC") on February 19, 2026, as amended by Amendment No. 1 thereto filed on April 30, 2026 (as so amended, the "2025 10-K"), and in the Company's Current Report on Form 8-K filed with the SEC on May 5, 2026 (the "May 5 8-K"). Any forward-looking statement in this Quarterly Report speaks only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

BIOMX INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(U.S. dollars in thousands except share and per share data)

	June 30, 2026	December 31, 2025
Assets		
Current Assets		
Cash and cash equivalents	347	4,360
Restricted cash	-	595
Short term investments	225	-
Property and equipment, held for sale	-	157
Trade receivables	327	-
Other current assets	1,517	463
Total Current assets	2,416	5,575
Non-current Assets		
Property and Equipment, Net	101	-
Right Of Use asset arising from operating lease and deposits	21	-
Goodwill & intangible assets	25,422	-
In-process Research and development (“IPR&D”) asset	208	208
Funds in respect of employee rights upon terminations	18	-
Total Non-current assets	25,770	208
Total assets	**28,186**	**5,783**
Liabilities and Stockholders’ equity (deficit)		
Current Liabilities		
Short term bank credit	210	-
Trade account payables	908	3,120
Balance due to Biomx Ltd	1,254	-
Loans payable - related parties	887	-
Contingent consideration	1,695	-
Promissory notes	2,009	-
Warrant liability issued as consideration for subsidiary acquisition	2,082	-
Current portion of lease liabilities	8	1,436
Other account payables	1,127	1,823
Total current liabilities	10,180	6,379
Non-current Liabilities		
Long term loans, net of current portion	247	-
Right Of Use liabilities arising from operating lease	13	-
Severance pay liability	36	
Warrants	87	706
Total non-current liabilities	383	706
Total liabilities	**10,563**	**7,085**
Stockholders’ equity (deficit)		
Preferred Stock, $0.0001 par value; Authorized - 1,000,000 shares as of June 30, 2026 and December 31, 2025. Issued and outstanding – 51,598 as of June 30, 2026 and 147,512 shares as of December 31, 2025.	6,512	18,617
Common stock, $0.0001 par value (“Common Stock”); Authorized - 750,000,000 shares as of June 30, 2026 and December 31, 2025. Issued and outstanding – 12,590,641 and 1,593,703 as of June 30, 2026 and December 31, 2025, respectively.	8	7
Receivables on account of shares	(300)	-
Additional paid-in capital	244,474	196,970
Accumulated deficit	(239,808)	(216,896)
Foreign currency translation adjustments	(21)	-
Total Company’s stockholders’ equity (deficit)	10,865	(1,302)
Non-controlling interests	**6,758**	**-**
Total Stockholders’ equity (deficit)	**17,623**	**(1,302)**
Total liabilities and Stockholders’ equity (deficiency)	**28,186**	**5,783**

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

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

	Six months ended June 30		Three months ended June 30	
	2026	**2025**	**2026**	**2025**
Revenues	332	-	332	-
Cost of revenues	235	-	235	-
Gross profit	97	-	97	-
Operating expenses:				
Research and development (“R&D”) expenses, net	(187)	10,264	128	5,014
General and administrative expenses	6,994	4,925	5,383	2,419
Operating loss	6,710	15,189	5,414	7,433
Other expenses (income)	(141)	76	5	70
Net gain from deconsolidation of subsidiary	(1,860)	-	-	-
Loss (income) from change in derivatives financial instruments measured at fair value	12,458	(2,412)	(1,598)	(1,498)
Interest expenses	211	10	20	5
Interest expense - related parties	5	-	5	-
Day one loss upon entering transaction	5,226	-	-	-
Finance expense, net	377	830	-	25
Net loss before tax	22,986	13,693	3,846	6,035
Tax expenses	-	3	-	2
Net loss	**22,986**	**13,696**	**3,846**	**6,037**
Net loss attributable to non-controlling interests	74	-	74	-
Net loss attributable to the Company’s stockholders	22,912	13,696	3,772	6,037
Net loss	**22,986**	**13,696**	**3,846**	**6,037**
Basic and diluted loss per share of Common Stock	3.56	9.55(*)	0.37	3.66(*)
Weighted average number of shares used in computing basic loss per share of Common Stock	6,479,738	1,434,212(*)	10,313,076	1,647,810(*)
Comprehensive loss:				
Net loss	**22,986**	**13,696**	**3,846**	**6,037**
Other comprehensive income (loss) - Foreign currency translation adjustments	7	-	7	-
Comprehensive loss	**22,993**	**13,696**	**3,853**	**6,037**
Net - loss attributable to non-controlling interests	74	-	74	-
Other comprehensive income (loss) attributable to non-controlling interests - foreign currency translation adjustments	(14)	-	(14)	-
Comprehensive loss attributable to the Company’s stockholders	**23,053**	**13,696**	**3,913**	**6,037**

(*) All share amounts have been retroactively adjusted to reflect a 1-for-19 reverse share split as discussed in Note 8A.

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

BIOMX INC.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

(U.S, dollars in thousands, except share and per share data)

	Series Y Redeemable Convertible Preferred Shares		Series X Redeemable Convertible Preferred Shares		Common stock		Additional paid-in capital	Accumulated Other Comprehensive Income (Loss)	Accumulated deficit	Receivables on account of shares	Non-Controlling interests	Total stockholders' equity (deficit)
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount						
BALANCE AT DECEMBER 31, 2025	**-**	**-**	**147,512**	**18,617**	**1,593,703**	**7**	**196,970**	**-**	**(216,896)**	**-**	**-**	**(1,302)**
Issuance of Series Y Convertible Preferred Stock	3,300	-	-	-	-	-	-	-	-	-	-	-
Preferred dividends on Series Y Convertible Preferred Stock	-	85	-	-	-	-	(85)	-	-	-	-	-
Conversion of Series Y Convertible Preferred Stock into common stock	(3,300)	(85)	-	-	1,650,000	*	85	-	-	-	-	-
Exercise of warrants into common stock	-	-	-	-	3,300,000	*	16,785	-	-	(3,300)	-	**13,485**
Reclassification of embedded conversion derivative upon conversion of Series Y Convertible Preferred Stock	-	-	-	-	-	-	7,818	-	-	-	-	**7,818**
Share based compensation	-	-	-	-	-	-	(1,742)	-	-	-	-	**(1,742)**
Comprehensive loss for the period	-	-	-	-	-	-	-	-	(19,140)	-	-	**(19,140)**
BALANCE AT MARCH 31, 2026	**-**	**-**	**147,512**	**18,617**	**6,543,703**	**7**	**219,831**	**-**	**(236,036)**	**(3,300)**	**-**	**(881)**
Share based compensation	-	-			1,380,000	1	3,987	-	-	-	-	**3,988**
Issuance of shares for investment in Zorronet	-	-			1,300,000	*	3,757	-	-	-	-	**3,757**
Issuance of warrants and shares for investment in DFSL	-	-			923,000	*	4,124	-	-	-	-	**4,124**
Issuance of shares as partial payment of promissory note	-	-			1,013,637	*	379	-	-	-	-	**379**
Issuance of Common Stock under At the Market Sales Agreement, net of $ 39 issuance costs	-	-			793,005	*	291	-	-	-	-	**291**
Offset of promissory note	-	-						-		3,000	-	**3,000**
Subsidiaries consolidation for the first time	-	-						-			6,818	**6,818**
Foreign currency translation adjustments	-	-						(21)			14	**(7)**
Conversion of A&R Warrants	-	-			132,484	*	*	-				**-**
Conversion of Series X Redeemable Convertible Preferred Shares	-	-	(95,914)	(12,105)	504,812	*	12,105	-				
Loss for the period ended June 30, 2026	-	-	-	-	-	-	-		(3,772)	-	(74)	**(3,846)**
BALANCE AT JUNE 30, 2026	**-**	**-**	**51,598**	**6,512**	**12,590,641**	**8**	**244,474**	**(21)**	**(239,808)**	**(300)**	**6,758**	**17,623**

(*) Less than $1.

BIOMX INC.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY (continued)

(U.S, dollars in thousands, except share and per share data)

	Redeemable Convertible Preferred Shares		Common stock		Additional		Total Stockholder'
	Number of shares	Amount	Number of shares (**)	Amount	paid-in capital	Accumulated deficit	equity (capital deficiency)
BALANCE AT DECEMBER 31, 2024	**147,735**	**18,645**	**18,176,661**	**6**	**186,194**	**(180,697)**	**24,148**
Issuance of Common Stock, Registered Pre- Funded Warrants and Private Pre-Funded Warrants under the February 2025 SPA, net of issuance costs	-	-	2,828,283	*	878	-	878
Issuance of Common Stock under Inducement Letter Agreements	-	-	3,961,109	1	6,472		6,473
Stock-based compensation expenses	-	-			659		659
Net loss	-	-				(7,659)	(7,659)
BALANCE AT MARCH 31, 2025	**147,735**	**18,645**	**24,966,053**	**7**	**194,203**	**(188,356)**	**24,499**
Exercise of Private Pre-Funded Warrants and Common Warrants			1,202,314	*	2		2
Issuance of Common Stock upon restricted stock units vesting			274,890	*			*
Stock-based compensation expenses					696		696
Net loss						(6,037)	(6,037)
BALANCE AT JUNE 30, 2025	**147,735**	**18,645**	**26,443,257**	**7**	**194,901**	**(194,393)**	**19,160**

(*) Less than $1.

(**) All share amounts have been retroactively adjusted to reflect a 1-for-19 reverse share split as discussed in Note 8.

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

BIOMX INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(U.S, dollars in thousands except share and per share data)

	Six months ended June 30	
	2026	**2025**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	**(22,986)**	**(13,696)**
Adjustments required to reconcile net loss for the period to net cash used in operating activities:		
Depreciation	5	528
Stock-based compensation	2,059	1,355
Finance income, net	382	247
Revaluation of contingent consideration	-	3
Loss (income) from change in fair value of liability-classified warrants	12,458	(2,412)
Day one loss upon entering transaction	5,226	
Private Placement Warrants issuance cost	186	-
Gain from deconsolidation of subsidiary	(1,860)	-
Changes in balance of severance pay fund	1	-
Changes in operating assets and liabilities:		
Loss from sale and disposal of fixed assets, net	-	165
Decrease (increase) in trade receivables	511	-
Other current assets	(1,419)	1,096
Trade accounts payable	422	294
Other accounts payable and current portion of lease liabilities	(1,572)	(2,404)
Net change in operating leases	3	3
Net cash used in operating activities	**(6,584)**	**(14,821)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in short term securities - net	(176)	-
Cash used in purchase of subsidiaries, net	(378)	-
Decrease in cash as a result of deconsolidation of subsidiary	(996)	-
Purchase of fixed assets	(2)	-
Proceeds from sale of property and equipment	-	109
Net cash provided by (used in) investing activities	**(1,552)**	**109**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Common Stock under February 2025 SPA	-	996
February 2025 SPA issuance costs	-	(118)
Issuance of Common Warrants under February 2025 SPA	-	4,531
Issuance of Common Stock under Inducement Letter Agreements	-	6,473
Proceeds from related party loan	656	-
Proceeds from issuance of preferred share and warrants under January 2026 private placement, net of issuance costs	2,622	-
Short-term bank credit	7	-
Pre-Funded Warrants and Common Warrants exercise	-	2
Issuance of Common Stock under At the Market Sales Agreement, net of $39 issuance costs	291	-
Repayment of long-term loans	(48)	
Net cash provided by financing activities	**3,528**	**11,884**
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(4,608)	(2,828)
Effect of exchange rate changes on cash and cash equivalents	-	39
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	4,955	17,975
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	347	15,186

BIOMX INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(U.S, dollars in thousands except share and per share data)

RECONCILIATION OF AMOUNTS ON CONSOLIDATED BALANCE SHEETS		
Cash and cash equivalents	347	14,046
Restricted cash	-	1,140
Total cash and cash equivalents and restricted cash	**347**	**15,186**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	5	10
Taxes paid	-	3
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment purchases included in other accounts payable and trade accounts payable	-	2
Accrued Preferred dividends on Series Y Convertible Preferred Stock	85	-
Exercise of warrants into common stock	16,785	-
Conversion of Series Y Convertible Preferred Stock into common stock	85	-
Reclassification of embedded conversion derivative upon conversion of Series Y Convertible Preferred Stock	7,818	-

The accompanying notes are an integral part of the condensed consolidated interim financial statements

NOTE 1 – GENERAL

A. Organization and Nature of Operations

BiomX Inc. (individually and together with its subsidiaries, as applicable, the "Company" or "BiomX") was incorporated in Delaware on November 1, 2017 as a blank check company for the purpose of effecting a merger, stock exchange, asset acquisition, stock purchase, recapitalization, reorganization or similar business combination with one or more businesses or entities.

On October 29, 2019, the Company consummated a business combination with BiomX Ltd. ("BiomX Israel"), following which BiomX Israel became a wholly owned subsidiary of the Company. In connection with the transaction, the Company acquired all of the outstanding shares of BiomX Israel, and the former shareholders of BiomX Israel received 79,311 shares of the Company's Common Stock, representing 65% of the Company's issued and outstanding shares immediately after the transaction (the "Recapitalization Transaction"). BiomX Israel was deemed the accounting acquirer in the Recapitalization Transaction. The Company's Common Stock is traded on the NYSE American under the symbol "PHGE."

Historically, the Company, through BiomX Israel, operated as a clinical-stage biopharmaceutical company focused on developing natural and engineered phage cocktails designed to target and destroy harmful bacteria in chronic diseases.

On August 24, 2025, BiomX Israel filed an application with the Israeli Registrar of Companies for the expedited voluntary liquidation of RondinX Ltd. ("RondinX"), its subsidiary. The voluntary liquidation became effective on December 3, 2025. RondinX had no significant operations as of the liquidation date.

In December 2025, BiomX Israel commenced insolvency proceedings in Israel, following the announcement on December 8, 2025, of its discontinuation of the ongoing Phase 2b clinical trial of nebulized phage therapy BX004 in patients with cystic fibrosis associated with chronic Pseudomonas aeruginosa infections. As a result, BiomX Israel implemented cost-cutting measures including a significant reduction in workforce. On January 25, 2026, the Central District Court in Lod, Israel, appointed a trustee (the "Trustee") to BiomX Israel to handle the administration of the insolvency proceedings. See further information in Note 6.

Following the discontinuation of the Company's Phase 2b clinical trial of BX004 and the commencement of insolvency proceedings with respect to BiomX Israel, the Company began transitioning its strategic focus to the defense, security and critical infrastructure technology markets.

During the first half of 2026, the Company underwent significant changes in management, capital structure and business operations. The Board of Directors and executive management team were reconstituted, including the appointment of a new Chief Financial Officer effective February 27, 2026 and a new Chief Executive Officer effective March 4, 2026. In January 2026, the Company completed a private placement of Series Y Convertible Preferred Stock and related warrants. During March 2026, all outstanding Series Y Convertible Preferred Stock was converted into Common Stock and the related investor warrants were exercised. In April 2026, the Company completed the acquisitions of ZorroNet and a 60% controlling interest in DFSL. The Company also established X Security & Defense Ltd., a wholly owned Israeli subsidiary focused on security, defense and first-response technologies. See Notes 7 and 11.

NOTE 1 – GENERAL (continued)

On November 13, 2025, the Board of Directors approved a 1-for-19 reverse stock split of the Company's Common Stock (the "2025 Reverse Stock Split"), which became effective on November 25, 2025. See Note 8A for further information.

B. Going concern

The Company has incurred significant losses and negative cash flows from operations and incurred an accumulated deficit of 239,808 thousands Dollar as of June 30, 2026. The Company expects to continue to incur operating losses and require additional financing as it integrates its acquired businesses and executes its strategic plan. The Company plans to continue to fund its operations, through issuance of debt and/or equity securities, loans, or other alternatives.

Management believes that its current funds, together with the proceeds from the Company's ATM program discussed below in Note 8, and revenues expected to be generated by DFSL and ZorroNet will be sufficient to fund its operations only for the next several months following the issuance date of these financial statements. The Company's ability to raise capital is subject to market conditions and other aspects, which may affect the terms and availability of such funding and there is no assurance that the Company will be successful in such processes. These factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated 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.

C. 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, in February 2026, hostilities between Israel and Iran escalated again. Israel, together with the United States, launched 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. In addition, In March 2026, tensions escalated once again in the Lebanese border as Hezbollah launched an attack on Israel, firing rockets across the border.

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.

NOTE 1 – GENERAL (continued)

In response, Israel carried out targeted airstrikes against Hezbollah positions in Lebanon, raising concerns among the international community about the potential for a wider conflict. The situation remains highly fluid, and we are 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.

As a significant portion of the Company's future activities, are located in Israel, and members of the Company's management and certain employees and consultants are located in Israel, the Company's operations may be affected by economic, political, geopolitical and military conditions affecting Israel. Any escalation or expansion of the war could have a negative impact on both global and regional conditions and may adversely affect Company's business, financial condition, and results of operations.

The Company is unable to predict the duration or severity of the current conflict or any potential escalation. To date, the conflict did not have a significant effect on Company's activities however, the Company is continuing to regularly follow developments on the matter and is examining the effects on its operations and the value of its assets.

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

Unaudited Condensed Financial Statements

The accompanying unaudited condensed consolidated 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 included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025, that the Company filed with the U.S. Securities and Exchange Commission (the "SEC") on February 19, 2026. The year-end balance sheet data was derived from the audited consolidated financial statements as of December 31, 2025. Except for the accounting policies described in Note 2, the significant accounting policies adopted and used in the preparation of the financial statements are consistent with those of the previous financial year.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The Company consolidates ZorroNet and DFSL from April 10, 2026 and April 13, 2026, respectively, the date on which it obtained control. The portion of DFSL's equity and results of operations not attributable to the Company is presented as noncontrolling interests. Intercompany balances and transactions have been eliminated upon consolidation.

Functional currency

A majority of the revenues of the Company are generated in U.S. dollars. In addition, most of the Company's costs and expenses are denominated and determined in U.S. dollars. Management believes that the U.S. dollar is the currency of the primary economic environment in which the Company operate.

Transactions and monetary balances in other currencies are translated into the functional currency using the current exchange rate. Accordingly, monetary accounts maintained in currencies other than the dollar are remeasured into U.S. dollars in accordance with Accounting Standards Codification ("ASC") 830, "Foreign Currency Matters". All transaction gains and losses of the remeasured monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

The financial statements of ZorroNet and DFSL, for which the functional currency is not the U.S. dollar are translated into U.S. dollars using period-end exchange rates for assets and liabilities and average exchange rates for revenues and expenses.

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.

Business Combinations

The Company uses its best estimates and assumptions to assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. The Company's estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions, tax-related valuation allowances and pre-acquisition contingencies are initially recorded in connection with a business combination as of the acquisition date. The Company continues to collect information and reevaluates these estimates and assumptions quarterly and records any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations.

Intangible assets

Intangible assets that are not considered to have an indefinite useful life are amortized using the straight-line basis over their estimated useful lives, as noted below. Recoverability of these assets is measured by a comparison of the carrying amount of the asset to the undiscounted future cash flows expected to be generated by the assets. If the assets are considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired assets.

Acquisition-related intangible assets:

The Company accounts for ASC 350-20 "Goodwill and Other Intangible Assets" ("ASC 350-20"). ASC 805-10 specifies the accounting for business combinations and the criteria for recognizing and reporting intangible assets apart from goodwill.

Acquisition-related intangible assets result from the Company's acquisitions of businesses accounted for under the purchase method and consist of the value of identifiable intangible assets. Acquisition-related definite lived intangible assets are reported at cost, net of accumulated amortization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Accounts receivables

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

Pursuant to Topic 326 for our accounts receivables, the Company maintain an allowance for doubtful accounts that reflects our estimate of our expected credit losses. Our allowance is estimated using a loss-rate model based on delinquency. The estimated loss rate is based on our historical experience with specific customers, our understanding of our current economic circumstances, reasonable and supportable forecasts, and our own judgment as to the likelihood of ultimate payment based upon available data. The actual rate of future credit losses, however, may not be similar to past experience. Our estimate of doubtful accounts could change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, the Company may be required to increase or decrease our allowance for doubtful accounts.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in business combinations accounted for in accordance with the "purchase method" and is allocated to reporting units at acquisition. Goodwill is not amortized but rather tested for impairment at least annually in accordance with the provisions of ASC Topic 350, "Intangibles - Goodwill and Other". The Company performs its goodwill annual impairment test for the reporting units at December 31 of each year, or more often if indicators of impairment are present.

Intangible assets with finite lives are amortized using the straight-line basis over their useful lives, to reflect the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up.

Stock purchase warrants

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

For issued or modified stock purchase warrants that meet all of the criteria for equity classification, the stock purchase warrants are required to be recorded as a component of additional paid-in capital at the time of issuance.

For issued or modified stock purchase warrants that do not meet all the criteria for equity classification, the stock purchase warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the liability classified stock purchase warrants are recognized as a non-cash gain or loss on the accompanying consolidated statements of operations and comprehensive loss.

The Company assesses the classification of its common stock purchase warrants at each reporting date to determine whether a change in classification between equity and liability is required. For modified stock purchase warrants that result in a change of classification from equity to liability, a liability is recognized equal to the fair value on the date of modification, additional paid-in capital is adjusted by the fair value of the warrant on the date of issuance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

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.

The Company derives revenue principally from subscriptions to its artificial intelligence ("AI")-based command-and-control software platform provided on a software-as-a-service basis ("SaaS"), sales of hardware systems and components, perpetual software licenses, deployment, installation and integration services, and ongoing maintenance, technical support and warranty support services. Arrangements may include bundled solutions or standalone sales of products or services.

The Company applies the five-step model under ASC 606 by identifying the contract and the distinct performance obligations, determining and allocating the transaction price, and recognizing revenue as each performance obligation is satisfied.

Performance obligations and allocation of transaction price

The Company's contracts may include multiple promises, such as hardware systems, software licenses, SaaS subscriptions, installation and integration services, and ongoing support.

At contract inception, the Company assesses whether each promised product or service is distinct. A product or service is distinct if the *customer* can benefit from it on its own or together with other readily available resources and the promise to transfer it is separately identifiable from the other promises in the contract.

For arrangements containing multiple distinct performance obligations, the transaction price is allocated based on the relative stand-alone selling price ("SSP") of each product or service. SSP is generally based on observable standalone sales. If SSP is not directly observable, the Company estimates it using an expected cost-plus-margin approach or, in limited circumstances, a residual approach.

SaaS subscriptions

Access to the Company's software platform, together with technical support and unspecified updates provided during the subscription period, is generally accounted for as a single performance obligation satisfied over time. Revenue is recognized ratably over the committed subscription term, commencing when access to the platform is made available to the customer.

Sales of systems, hardware and perpetual software licenses

Revenue from hardware systems, components, perpetual software licenses and related products is generally recognized at a point in time when control transfers to the customer. The determination of when control transfers is based on the terms of the arrangement, including delivery, customer acceptance and any remaining performance obligations.

Deployment, installation and integration services

Deployment, configuration and integration services generally include connecting the Company's platform or systems to the customer's existing cameras, sensors, control systems and other infrastructure.

These services are generally short-term, and revenue is recognized upon completion and transfer of control. If significant installation or integration services are distinct and the criteria for recognition over time are met, revenue is recognized as the services are performed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Maintenance, technical support and warranty support

Revenue from maintenance, technical support and service-type warranty support is recognized over time as the services are performed.

For certain service arrangements, 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. Revenue from such arrangements is recognized in the amount to which the Company has a right to invoice.

DFSL metro rail technology arrangement

In December 2025, DFSL entered into an agreement pursuant to which it transferred certain software assets and patents and granted exclusive global commercialization rights relating to its metro rail technology to its principal customer. 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 their relative SSPs. Revenue attributable to the asset transfers and exclusive commercialization rights was recognized at a point in time upon transfer of control. Revenue attributable to the ongoing services is recognized over time as the services are rendered.

Basic and diluted loss per share

Basic net loss per share attributable to common stockholders is computed by dividing net loss attributable to common stockholders, after giving effect to preferred dividends and the allocation of earnings to participating securities, by the weighted average number of shares of Common Stock outstanding during the period. Pre-funded warrants and other instruments for which little or no consideration remains to be paid are included in the weighted average number of common shares outstanding from the date the applicable issuance conditions are satisfied. Diluted net loss per share includes potentially dilutive securities using the treasury stock or if-converted method, as applicable, when their effect is dilutive.

The Company computes net loss per share using the two-class method required for participating securities. The two-class method requires income available to common stockholders for the period to be allocated between shares of Common Stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company considers its Redeemable Convertible Preferred Shares to be participating securities as the holders of the Redeemable Convertible Preferred Shares would be entitled to dividends that would be distributed to the holders of Common Stock, on a pro-rata basis assuming conversion of all Redeemable Convertible Preferred Shares into shares of Common Stock. These participating securities do not contractually require the holders of such shares to participate in the Company's losses. As such, net loss for the periods presented was not allocated to the Company's participating securities.

(U.S, dollars in thousands except share and per share data)

NOTE 3 – FAIR VALUE MEASUREMENTS

The Company accounts for financial instruments in accordance with ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in non-active markets or in active markets for similar assets or liabilities, observable inputs other than quoted prices, and inputs that are not directly observable but are corroborated by observable market data.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

There were no changes in the fair value hierarchy levelling during the three and six months ended June 30, 2026 or the year ended December 31, 2025.

The Company's financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy are as follows:

	As of June 30, 2026			
	Level 1	Level 2	Level 3	Total
	US$			
Assets:				
Cash equivalents:				
Money market funds	13	-	-	**13**
Total assets	**13**	-	-	**13**

	As of December 31, 2025			
	Level 1	Level 2	Level 3	Total
	US$			
Assets:				
Cash equivalents:				
Money market funds	3,084	-	-	**3,084**
Total assets	**3,084**	-	-	**3,084**

(U.S, dollars in thousands except share and per share data)

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

Fair value (continued)

The Company's financial liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy are as follows:

	As of June 30, 2026			
	Level 1	Level 2	Level 3	Total
	US$			
Liabilities:				
Warrant liability issued as consideration for subsidiary acquisition			2,082	2,082
Warrants	-	-	87	**87**
Total liabilities	**-**	**-**	**2,169**	**2,169**

	As of December 31, 2025			
	Level 1	Level 2	Level 3	Total
	US$			
Liabilities:				
Warrants	-	-	706	**706**
Total liabilities	**-**	**-**	**706**	**706**

The Company determined the fair value of the embedded conversion derivative using the Binomial Option Pricing Model, a Level 3 measurement, within the fair value hierarchy (see Note 8A).

The following table presents the changes in fair value of the level 3 liabilities for the period of six month ended June 30, 2026 and 2025:

	Six months ended June 30, 2026	Six months ended June 30, 2025
Liability:		
Beginning balance	**706**	**2,287**
Issuance of Common Warrants (*)	8,422	4,531
Repricing of warrants under the Inducement Letter Agreements (**)	-	3,300
Exercise of warrants into common stock	(13,485)	(1)
Change in terms of warrant liability	(1,218)	-
Change in fair value	7,744	(5,712)
Ending balance	**2,169**	**4,405**

(*) Including $3,340 of loss upon entering the transaction.
(**) Repricing and exercise of the warrants under the Inducement Letter Agreements, which was charged to profit and loss.

(U.S, dollars in thousands except share and per share data)

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

The Company determined the fair value of the liabilities for the warrants using the Black-Scholes model, a Level 3 measurement, within the fair value hierarchy.

	Six months ended June 30, 2026	Six months ended June 30, 2025
Underlying value of Common Stock ($)	0.35 – 4.98	0.45
Exercise price ($)	1 - 43.91	0.93-2.31
Expected volatility (%)	53-163.3	114-122.4
Expected terms (years)	0.02-4.79	1-4.8
Risk-free interest rate (%)	3.7-4.2	3.8-3.9

NOTE 4 – OTHER CURRENT ASSETS

	June 30, 2026	December 31, 2025
Government institutions	23	111
Prepaid insurance	-	248
Other prepaid expenses	1,238	93
Other	256	11
	1,517	**463**

NOTE 5 – OTHER ACCOUNT PAYABLES

	June 30, 2026	December 31, 2025
Employees and related institutions	556	475
Government institutions	471	628
Accrued expenses	100	720
	1,127	**1,823**

(U.S, dollars in thousands except share and per share data)

NOTE 6 – DECONSOLIDATION OF BIOMX LTD

On January 25, 2026, following the commencement of insolvency proceedings with respect to BiomX Israel, the District Court of the Central District, in Lod, Israel, appointed a trustee (the "Trustee") to BiomX Israel to administer the insolvency proceedings. The Trustee was granted authority to manage BiomX Israel's assets and operations, evaluating claims from creditors, and overseeing the orderly wind-down or restructuring of BiomX Israel's operations in accordance with applicable Israeli insolvency law. On February 4, 2026, the Trustee notified BiomX Israel's Chief Executive Officer and Chief Financial Officer that their roles as officers of BiomX Israel had been terminated. Based on the transfer of decision-making authority to the Trustee and the Company's resulting inability to direct the activities that most significantly affect BiomX Israel's economic performance, the Company concluded that it no longer had a controlling financial interest in BiomX Israel as of February 4, 2026. The Company determined that the termination is considered as a change of control as of February 4, 2026, and that BiomX Israel should be deconsolidated from the Company's consolidated financial statements. The Company does not expect to recover any significant value from its investment in BiomX Israel.

Accordingly, the Company deconsolidated BiomX Israel on February 4, 2026 and derecognized its assets and liabilities. Any retained ownership interest was measured at fair value at the deconsolidation date and was determined to have no material value.

During the six months ended June 30, 2026, the Company recognized a gain from deconsolidation of Biomx Ltd. of approximately $1,860, which is included in net gain from deconsolidation.

The carrying amounts of the assets and liabilities of BiomX Israel derecognized upon deconsolidation were as follows:

	As of February 4, 2026
Cash and cash equivalents	996
Other current assets	1,252
Fixed assets	157
Total assets	**2,405**
Current liabilities	4,265
Stockholders' Equity (capital deficiency)	(1,860)
Total liabilities and capital deficiency	**2,405**

NOTE 7 – TRANSACTION DURING THE PERIOD

1. On March 31, 2026, the Company and Mandragola, entered into an Option and Undertaking Agreement (the "Option Agreement"), pursuant to which the Company was granted an exclusive and irrevocable option (the "Option") to purchase 100% of Mandragola's shareholdings in DR. Frucht Systems Ltd., an Israeli company ("DFSL"). The closing of the Option was subject to the closing by Mandragola on its agreement with DFSL and DFSL's shareholder for the purchase, initially, by Mandragola of 60% of the issued and outstanding share capital of DFSL (the "DFSL Shareholdings").

   DFSL is a developer of 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. Founded in 1995 by Dr. Yaacov Frucht, a former senior research leader at Rafael Advanced Defense Systems, DFSL builds on defense-originated laser radar technology adapted for civilian and homeland security use. 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.

   On April 13, 2026, the Company entered into and simultaneously closed on a Stock Purchase & Assignment Agreement (the "DFSL 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 DFSL 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)

   (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, which obligation under the Note was satisfied as of June 30, 2026;

   (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 $0.0001(the "Pre-Funded Warrants"), of which shares for 644,956 were exercised and issued to Mandragola on July 21, 2026; 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 remainder of the Pre-Funded Warrants and Five Year Warrant is subject to obtaining approval of the Company's stockholders ("Stockholder Approval") as required by the applicable rules and regulations of the NYSE American LLC. A special meeting of the Company's shareholders has been scheduled for August 25, 2026 to obtain Stockholder Approval.

   Revenue Bonus

   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.

   Put and Call Arrangements over the Non-Controlling Interest in DFSL

   In connection with the acquisition of 60% of DFSL, the Company was assigned the rights and assumed the obligations of Mandragola Ltd. under a Shareholders Agreement dated March 31, 2026 among Mandragola, DFSL and Dr. Yaacov Frucht, including put and call arrangements over the remaining 40% of DFSL held by Dr. Frucht.

   Under these arrangements, at any time after the second anniversary of the Shareholders Agreement, Dr. Frucht has the right to require the Company to purchase either an additional 20% of DFSL or all of his remaining shares at the Option Exercise Price (as defined below). If the resulting implied enterprise value would be less than the enterprise value implied at closing (US$2,166,667), and DFSL has achieved cumulative sales of US$1,500,000 for the years 2026 and 2027, Dr. Frucht may instead exercise this put at a price based on the closing enterprise value, or US$433,333 per 20% interest, applied pro rata. At any time after the fourth anniversary, Dr. Frucht may require the Company to purchase all of his remaining shares at the Option Exercise Price, subject to achievement of the sales target described above unless the failure to achieve it was primarily caused by actions contrary to DFSL's agreed business plan. In addition, if within 18 months following the closing DFSL approves a material change to its agreed business plan that is reasonably expected to reduce the sales target by at least 25%, Dr. Frucht may exercise his put option on a pro rata basis corresponding to the ratio of DFSL's actual revenues to the sales target.

NOTE 7 – TRANSACTION DURING THE PERIOD (continued)

The Company holds corresponding call rights: at any time after the third anniversary, the Company is entitled to purchase an additional 20% of DFSL at the greater of US$800,000 or the Option Exercise Price, and at any time after the fourth anniversary, to purchase all remaining shares held by Dr. Frucht at the Option Exercise Price. Each put and call option expires if not exercised within 60 days following the fourth anniversary of the Shareholders Agreement.

“Option Exercise Price” means the average EBITDA of DFSL for the two fiscal years immediately preceding exercise, multiplied by 6.8, multiplied by the percentage of shares purchased. EBITDA for this purpose excludes management fees, administrative charges and other costs imposed by the Company or its affiliates that are not directly related to DFSL. The Company estimated the fair value of the above option to be immaterial.

Credit Line

Mandragola also agreed to provide to the Company a credit line in an amount and on terms to be mutually agreed upon, to be utilized for the development and expansion of the business of DFSL and the payment of DFSL’s third-party debts. See below.

The acquisition has been accounted for as a business combination under ASC 805, Business Combinations. The Company determined that DFSL constitutes a business as defined under ASC 805 as the acquired set includes inputs, processes, and the ability to generate outputs.

The Company, with the assistance of a third-party specialist, calculated the total consideration at $10,226. The fair value of the share issued was determined at $2,427 based on the share price of Company’s common stock as of the date of the closing. The fair value of the promissory notes issued was determined at $3,271.

The fair value of the Pre-Funded Warrant was calculated using the Black Scholes option pricing model. The assumptions used to perform the calculations are detailed below:

	April 13, 2026
Expected volatility (%)	53%
Risk-free interest rate (%)	3.87%
Expected dividend yield	0.0%
Expected term (years)	5
Conversion price (U.S. dollars)	0.0001
Underlying share price (U.S. dollars)	2.63
Fair value (U.S. dollars in thousands)	2,427

The fair value of the Common Warrant was calculated using the Black Scholes option pricing model. The assumptions used to perform the calculations are detailed below:

	April 13, 2026
Expected volatility (%)	53%
Risk-free interest rate (%)	3.87%
Expected dividend yield	0.0%
Expected term (years)	5
Conversion price (U.S. dollars)	12
Underlying share price (U.S. dollars)	2.63
Fair value (U.S. dollars in thousands)	1,351

The Company evaluated the Pre-Funded Warrant and the Common Warrant under ASC 480, Distinguishing Liabilities from Equity, and ASC 815, Derivatives and Hedging. The Company concluded that, except for the stockholder approval condition, both instruments meet the criteria for equity classification. The Common Warrant and a portion of the Pre-Funded Warrant are subject to stockholder approval at the general meeting scheduled for August 25, 2026. As such approval had not been obtained as of the reporting date, the Company classified the affected warrants as liabilities until the required stockholder approval is obtained.

NOTE 7 – TRANSACTION DURING THE PERIOD (continued)

The table below summarizes the fair value of assets acquired and liabilities assumed following the adjustments mentioned above as of the acquisition date:

	April 13, 2026 U.S. Dollars (in thousands)
Working capital	(769)
Long terms assets	75
Goodwill and intangible assets	17,999
Non-controlling interest	(6,818)
Long term liabilities	(261)
Net assets acquired	10,226

As of June 30, 2026, 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.

2. On April 10, 2026, the Company entered into and simultaneously closed a definitive Stock Purchase Agreement (the "SPA") with Water IO Ltd. ("Water IO"), a publicly traded Israeli company listed on the Tel Aviv Stock Exchange, pursuant to which the Company acquired 100% of the issued and outstanding share capital of Zorro Net Ltd. ("ZorroNet"), an Israeli artificial intelligence defense technology company.

   ZorroNet develops and deploys proprietary AI-powered computer vision and autonomous surveillance systems for defense, homeland security and critical infrastructure protection. Its smart software platform performs real-time autonomous threat detection, object recognition, perimeter intrusion identification and automated event-triggered response, with native integration into unmanned aerial systems (UAS/drones), alarm networks and command-and-control (C2) systems. ZorroNet's technology is operationally deployed at Israel Defense Forces (IDF) bases, military security operations centers and critical national infrastructure sites, with active engagements with Elbit Systems Ltd (TASE/Nasdaq: ESLT) and other top Israel's preeminent defense prime contractors.

   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, which registration statement was filed and declared effective by the SEC on July 13, 2026.

NOTE 7 – TRANSACTION DURING THE PERIOD (continued)

The acquisition has been accounted for as a business combination under ASC 805, Business Combinations. The Company determined that ZorroNet constitutes a business as defined under ASC 805 as the acquired set includes inputs, processes, and the ability to generate outputs.

The Company, with the assistance of a third-party specialist, calculated the total consideration at $6,695. The fair value of the share issued was determined at $3,757 based on the share price of Company's common stock as of the date of the closing. The fair value of the promissory notes issued was determined at $1,243. The performance-based earnout payable was calculated by the third party at $1,695.

The table below summarizes the fair value of assets acquired and liabilities assumed following the adjustments mentioned above as of the acquisition date:

	April 10, 2026 U.S. Dollars (in thousands)
Working capital	(555)
Long terms assets	39
Goodwill and intangible assets	7,423
Long term liabilities	(212)
Net assets acquired	6,695

As of June 30, 2026, 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.

3. On May 13, 2026, and as detailed in note 7(1) above, the Company entered into a revolving line of credit agreement with Mandragola, pursuant to which Mandragola agreed to make available to the Company and certain of its operating subsidiaries a revolving credit facility of up to $2.0 million (the "Credit Facility"). Amounts borrowed under the Credit Facility bear simple interest at an annual rate of 12% and may be prepaid without penalty. Each advance is evidenced by a convertible promissory note. The promissory notes are convertible, at the election of the holder, into a variable number of shares of the Company's common stock at a conversion price equal to the closing price of the Company's common stock on the trading day immediately preceding the applicable conversion notice, subject to applicable exchange limitations and stockholder approval requirements.

   Certain amounts previously advanced by Mandragola in connection with the Company's acquisitions of DFSL and Zorronet were treated as advances under the Credit Facility. As of June 30, 2026, no principal amount was outstanding under the Credit Facility and the undrawn availability was $2,000. The Company did not recognize a liability for the undrawn portion of the Credit Facility.

   As additional consideration for making the Credit Facility available, on May 13, 2026, the Company issued Mandragola a five-year warrant to purchase up to 2,000,000 shares of the Company's common stock at an initial exercise price of $12.00 per share, subject to customary adjustments (the "Warrant"). The Warrant may be exercised for cash only when the trading price of the Company's common stock exceeds the applicable exercise price. The holder may also elect, at any time, to exercise the Warrant on a cashless basis and receive a variable number of shares determined pursuant to a contractual formula based on a prescribed Black-Scholes value divided by the market price of the Company's common stock. The contractual Black-Scholes value uses, among other inputs, expected volatility of 175% and a deemed remaining term of five years, irrespective of the actual remaining contractual term.

NOTE 7 – TRANSACTION DURING THE PERIOD (continued)

The Warrant also provides that, upon certain fundamental transactions, the holder may require the Company or a successor entity to purchase the Warrant for cash in an amount determined pursuant to a contractual Black-Scholes formula. The Warrant is subject to a 4.99% beneficial ownership limitation, and the shares issuable upon exercise are subject to applicable NYSE American stockholder approval requirements.

The exercise of the Warrant is subject to stockholder approval and a meeting of stockholders requesting such approval has been scheduled for August 25, 2026. As such approval had not been obtained as of June 30, 2026, these warrants are not deemed to be legally in effect until (and subject to) such stockholder approval is in fact obtained. Therefore, the Company concluded that the accounting impact associated with the Warrant will be recognized upon receipt of the required stockholder approval.

4. **Framework Supply Agreement with Israel Railways**

On April 15, 2026, Zorronet, entered into a framework supply agreement (the "Agreement") with Israel Railways Ltd. ("Israel Railways"), the state-owned principal railway company responsible for all inter-city, commuter, and freight rail transport in Israel, pursuant to which Zorronet will supply Israel Railways with AI-powered animal detection and deterrence alert stations (the "Alert Stations"), together with related installation, maintenance, and support services, across Israel Railways' rail facilities and compounds.

The Agreement follows the successful completion of a large-scale pilot program conducted by Zorronet and Israel Railways over the preceding year, in which Israel Railways invested approximately NIS 800,000 (approximately $266,000). The pilot deployed Zorronet's AI-powered detection and deterrence technology in designated sections of Israel Railways' rail network and achieved a success rate of approximately 98% in keeping large animals, including wild boar, foxes, and gazelles, off of the railway tracks in the sections in which the technology was deployed, thereby preserving ecological corridors and reducing damage to infrastructure. Following completion of the pilot, Zorronet and Israel Railways entered into a memorandum of understanding confirming the pilot's success and Israel Railways' intention to expand deployment of the technology to additional areas. The platform was adapted to Israel Railways' operational requirements in collaboration with its innovation division.

Under the Agreement, Zorronet will provide the setup, supply, and installation of said alert stations c and ongoing maintenance services for the alert stations and the system management platform, including software and hardware updates, repairs, and service calls.

The initial term of the Agreement is twelve (12) months from execution, with Israel Railways holding the sole option to extend the Agreement for an additional twelve (12) months. Israel Railways may terminate the Agreement for any reason upon thirty (30) days' prior written notice.

NOTE 7 – TRANSACTION DURING THE PERIOD (continued)

The Agreement provides for per-station pricing based on a pricing schedule attached to the Agreement. In the initial phase, the Company expects the Agreement to cover the maintenance and upgrade of fifteen (15) existing Alert Stations previously installed by Zorronet at Israel Railways facilities, with additional new stations that may be ordered at Israel Railways' sole discretion thereafter. Israel Railways is not obligated to order any minimum quantity beyond the existing stations and will place purchase orders in accordance with its operational needs and sole discretion. Payment is due within forty-five (45) days of invoice submission, subject to Israel Railways' approval.

The Agreement includes comprehensive confidentiality provisions, insurance requirements (including third-party liability, employer liability, and professional liability) and cybersecurity and data protection obligations, among other standard provisions. Under the Agreement, Zorronet is required to continue performing its obligations during emergency situations (including war, home front emergencies, and mass casualty events) at no additional charge; failure to do so constitutes a material breach.

In addition, Israel Railways has an option from November 2023 to complete an equity investment in Zorronet of up to One Million United States Dollars ($1,000,000) for 20% of Zorronet, which, if exercised in full, would represent an approximate twenty percent (20%) interest in Zorronet on a post-investment basis (the "Investment Option"). By its terms, the exercise of the Investment Option is subject to the success of the said pilot. As of the date of this report, Israel Railways has not exercised the Investment Option.

NOTE 8 – STOCKHOLDERS' EQUITY

A. **Share Capital**

Reverse Stock Split

(i) On October 16, 2025, the Company's stockholders approved a reverse stock split at a ratio within a range of 1-for-5 and 1-for-20 at such time as the Board of Directors shall determine, in its sole discretion, at any time before October 16, 2026. On November 13, 2025, the Board of Directors approved a 1-for-19 Reverse Stock Split of the Company's shares of Common Stock.

The 2025 Reverse Stock Split did not change the par value of the Common Stock nor the authorized number of shares of Common Stock, preferred stock or any series of preferred stock.

Unless otherwise indicated, all amounts of issued and outstanding stock contained in the accompanying consolidated financial statements have been adjusted to reflect the 1-for-19 2025 Reverse Stock Split for all prior periods presented. Proportional adjustments were also made to shares underlying outstanding equity awards, warrants and Redeemable Convertible Preferred Shares, and to the number of shares issued and issuable under the Company's stock incentive plans and certain existing agreements.

(ii) The Company has scheduled a special meeting of the stockholders to be held on August 25, 2026 requesting the Company's stockholders approve a resolution granting to the Company's Board of Directors (the "Board") the authority to effect a reverse stock split of the Company's issued and outstanding common stock at a ratio between 1:5 to 1:20.

NOTE 8 – STOCKHOLDERS' EQUITY (continued)

Preferred Stock:

The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of $0.0001 per share with such designations, rights and preferences as may be determined from time to time by the Company's Board of Directors.

On March 15, 2024, the Company issued 40,470 and 216,417 Redeemable Convertible Preferred Shares, par value $0.0001 per share, as consideration in the APT acquisition and the March 2024 PIPE, respectively. During the years ended December 31, 2025 and 2024, 223 and 109,152 Redeemable Convertible Preferred Shares were converted into 1,174 and 574,484 shares of the Company's Common Stock, respectively. In May 2026, an aggregate of 95,914 Series X Preferred Shares were converted into 504,812 shares of Common Stock. Upon conversion, the Company reclassified the proportionate carrying amount of the converted Series X Preferred Shares to Common Stock and additional paid-in capital.

On January 13, 2026, the Company issued 3,300 shares of Series Y Convertible Preferred Stock to investors gross proceeds of $3,000. Between March 10 and March 17, 2026 all 3,300 Series Y shares converted in four tranches into 1,650,000 shares of Common Stock (see below).

January 2026 private placement:

On December 26, 2025, the Company entered into a Securities Purchase Agreement (the "2026 Private Placement ") with an investor (the "Investor") pursuant to which the Company agreed to issue and sell, in a private placement transaction, an aggregate of 3,300 shares of the Company's newly created Series Y Convertible Preferred Stock, par value $0.0001 per share (the "Series Y Preferred Stock"), convertible into up to 1,650,000 Common Stock shares, with an aggregate stated value of $3,300, together with warrants to purchase shares of the Company's Common Stock, par value $0.0001 per share (the "Securities Purchase Agreement Warrants"), in exchange for aggregate gross proceeds to the Company of $3,000, before deducting placement agent fees and other offering expenses, subject to customary closing conditions. On January 13, 2026, following the satisfaction of the closing conditions, the Company consummated the private placement and received gross proceeds of $3,000 from the investor, and issued the Series Y Preferred Stock and Securities Purchase Agreement Warrants in accordance with the terms of the Securities Purchase Agreement.

Each share of Series Y Preferred Stock has a stated value of $1,000 and was convertible into shares of Common Stock. The initial conversion price was $2.00 per share of Common Stock, subject to customary adjustments for stock splits, stock dividends, stock combinations, recapitalizations and similar transactions. In addition, following receipt of stockholder approval as required under the applicable rules of NYSE American, the conversion price was reduced to equal the lower of (i) the conversion price, as defined in the Certificate of Designations, then in effect, and (ii) the closing sale price of the Common Stock on the trading day immediately prior to the date such stockholder approval is obtained.

Holders of Series Y Preferred Stock are entitled to receive dividends on the stated value of the Series Y Preferred Stock at a rate of 15% per annum, payable quarterly, at the Investor's sole election, either in cash or shares of Common Stock, subject to adjustment as set forth in the Certificate of Designations. Except as otherwise required by law or as expressly provided in the Certificate of Designations, the Series Y Preferred Stock does not have voting rights. Each share of Series Y Preferred Stock will have a maturity of one year from the closing date.

NOTE 8 – STOCKHOLDERS' EQUITY (continued)

Conversion is subject to beneficial ownership limitations of 19.99% of the Company's outstanding Common Stock. The Series Y Convertible Preferred Stock accrues cumulative dividends on its stated value, compounded quarterly. Dividends are payable, at the Company's election, either in cash or in shares of common stock through inclusion in the conversion amount upon conversion. Upon the occurrence and during the continuance of a triggering event, dividends accrue at an increased default rate of 24% per annum. All accrued and unpaid dividends are payable upon redemption or at maturity. The Company may be required to redeem the Series Y Preferred Stock at an amount equal to the conversion amount multiplied by the applicable redemption premium, plus any accrued and unpaid dividends and charges.

The Securities Purchase Agreement Warrants entitle the holder to purchase up to an aggregate of 3,300,000 shares of the Company's Common Stock, representing 200% of the 1,650,000 of shares of Common Stock issuable upon conversion of the Series Y Preferred Stock. The Securities Purchase Agreement Warrants were exercisable immediately upon issuance, subject to beneficial ownership limitations, and will expire five years from the date of issuance. The exercise price of the Securities Purchase Agreement Warrants is $2.00 per share, subject to customary anti-dilution adjustments.

As part of this financing, the Company issued 99,000 warrants to HC Wainwright & Co., LLC, as placement agent fees. These placement agent warrants have an exercise price of $2.50 per share and a five-year term from the date of issuance.

On March 13, 2026, the Company and the Investor entered into an amendment to the Warrant (the "Warrant Amendment"), pursuant to which, the Investor and the Company agreed to (i) amend the term of the Warrant, such that the Warrant will expire on December 31, 2026, (ii) reduce the exercise price of the Warrant from $2.00 to $1.00 per share, and (iii) revise the method of determining the number of shares of Common Stock issuable upon a cashless exercise of the Warrant such that the number of shares of Common Stock issuable upon cashless exercise will be determined by reference, where applicable, to the lowest VWAP on the five (5) trading days immediately preceding the date on which the notice of exercise is submitted to the Company, rather than the VWAP on the day immediately preceding the date on which the notice of exercise is submitted. No proportional adjustment to the number of shares of Common Stock issuable upon exercise of the Warrants was made as a result of the Warrant Amendment. The modification did not change the number of shares underlying the warrant. The Company remeasured the warrant liability immediately before and immediately after the modification and recognized the resulting change in fair value in earnings. The value of the change in terms of warrant liability was calculated by the Company as income of $1,219 and was recorded to unaudited condensed consolidated financial statements of comprehensive loss.

Between March 11, 2026 and March 17, 2026, the Investor converted all 3,300 outstanding shares of Series Y Preferred Stock into 1,650,000 shares of Common Stock in accordance with the certificate of designation governing the Series Y Preferred Stock. Following such conversions, no shares of Series Y Preferred Stock remain outstanding.

On March 19, 2026, the Warrants were exercised in full at the amended exercise price of $1.00 per share, resulting in the issuance of 3,300,000 shares of Common Stock and aggregate gross proceeds to the Company of $3,300. Following such exercise, no Series Y Preferred Stock Warrants remained outstanding. Effective as of May 21, 2026, pursuant to an Assignment and Settlement Agreement between the Company and Mandragola, the Company assigned the $3,300 warrant exercise receivable to Mandragola in consideration for the satisfaction by offset of the principal balance of the $3,000 promissory note issued to Mandragola in connection with the DFSL acquisition (see Note 7). The remaining $300 is owed by Mandragola to the Company and is applied by offset against amounts owed by the Company to Mandragola in accordance with the Assignment and Settlement Agreement. Pursuant to a confirmation letter between the Company and Mandragola effective as of May 13, 2026, pending the stockholder approval described below, amounts due and owing from the Company to Mandragola are treated as ordinary trade accounts payable, payable in cash within 30 days following receipt of an invoice, and no such amount may be settled in shares of common stock prior to receipt of such approval. The promissory note was not cancelled and remains outstanding, and the shares issuable upon conversion thereof are subject to stockholder approval at the meeting of stockholders scheduled for August 25, 2026.

The Company accounts for the investor warrants as liabilities because certain provisions in the warrants, including Fundamental Transaction-related provisions, preclude equity classification under ASC 815-40. Accordingly, the warrants were initially recorded at fair value on the issuance date and are remeasured to fair value at each reporting date, with changes in fair value recognized in earnings.

NOTE 8 – STOCKHOLDERS' EQUITY (continued)

In March 2026, in connection with the amendment of certain warrant terms, the Company remeasured the fair value of the warrant liabilities immediately before and immediately after the modification and recognized the resulting incremental fair value in unaudited condensed consolidated statements of comprehensive loss. In addition, immediately prior to the exercise of warrants in March 2026, the Company remeasured the related warrant liabilities to fair value and, upon exercise, reclassified the then-current fair value of the exercised warrants to additional paid-in capital.

The Company accounts for the Placement Agent Warrants as equity-classified awards. The Placement Agent Warrants were issued to the placement agent in connection with the January 2026 private placement as compensation for placement agent services. The Company measured the warrants at fair value on the grant date and recorded the corresponding amount in additional paid-in capital in accordance with ASC 718 "Compensation - Stock Compensation".

The Company accounts for the Series Y Convertible Preferred Stock as temporary equity. The Series Y Preferred Stock contains redemption features, including a contractual maturity date and redemption rights that are not solely within the Company's control. However, the Company determined that the holder's conversion feature was substantive at issuance. As a result, the Series Y Preferred Stock is presented outside of permanent equity as temporary equity. The carrying amount is subsequently accreted to the redemption amount, with such accretion recognized as a deemed dividend. The Series Y Preferred Stock bears dividends at 15% per annum.

The Company also determined that the embedded conversion feature bifurcated from the host instrument. The embedded conversion derivative was initially recognized at fair value and is remeasured to fair value at each reporting date, with changes in fair value recognized in the condensed consolidated statements of comprehensive loss.

The fair value of the embedded conversion derivative was calculated using the Binomial Option Pricing Model. The assumptions used to perform the calculations for the issuance date and exercise date, are volatility of 113% and 166%, risk free rate of 4% and 4%, time to maturity of 1 year and 10 months, respectively.

The fair value of the embedded conversion derivative at issuance date was calculated at $1,886 and was recorded in the condensed consolidated statements of comprehensive loss as Day 1 loss.

In March 2026, immediately prior to the conversion of the Series Y Convertible Preferred Stock into common stock, the Company remeasured the embedded conversion derivative to fair value of $7,818 and changes in fair value were record in the condensed consolidated statements of comprehensive loss. Upon conversion, the carrying amount of the Series Y Convertible Preferred Stock and the fair value of the embedded conversion derivative were reclassified to stockholders' equity.

The Company allocated the gross proceeds from the January 2026 private placement to the liability-classified investor warrants and to the embedded conversion derivative associated with the Series Y Convertible Preferred Stock, in each case based on their initial fair values, with no proceeds allocated to the Series Y Convertible Preferred Stock.

Issuance costs were recognized immediately in the condensed consolidated statements of comprehensive loss.

(U.S, dollars in thousands except share and per share data)

NOTE 8 – STOCKHOLDERS' EQUITY (continued)

May 2026 Series X conversion and A&R warrant exercise

On May 27, 2026, an investor, exercised in full its A&R Warrants to purchase an aggregate of 132,484 shares of Common Stock at an exercise price of $0.0019 per share, resulting in aggregate cash proceeds of approximately $252 dollars. On May 28, 2026, the same investor converted an aggregate of 95,914 Series X Preferred Shares into 504,812 shares of Common Stock. The aggregate issuance resulting from the warrant exercises and preferred-share conversions was 637,296 shares of Common Stock.

Sales Under ATM

On December 7, 2023 the Company entered into an At The Market Offering Agreement (the "Sales Agreement") with a sales agent, which was reactivated on June 16, 2023. In accordance with the terms of the Sales Agreement, the Company may offer and sell up to $9,145,000 of its newly issued common shares from time to time through the sales agent.

The sales agent will not sell common shares unless instructed by the Company and will use commercially reasonable efforts to sell on the Company's behalf all of the common shares requested to be sold by the Company, subject to the terms of the Sales Agreement.

The sales agent will be entitled to cash compensation equal to 3.0% of the gross sales price of common shares sold under the Sales Agreement.

During the six months ended June 30, 2026, the Company issued and sold 793,005 common shares for $291 net of issuance costs (including utilization of prepaid transaction expenses of $39 and placement agent fee), under the Sales Agreement for the Company's ATM facility.

Warrants:

As of June 30, 2026, the Company had the following outstanding warrants to purchase Common Stock issued to stockholders:

Warrant	Issuance Date	Expiration Date	Exercise Price Per Share	Number of Shares of Common Stock Underlying Warrants
2021 Registered Direct Offering Warrants	July 28, 2021	January 28, 2027	950.00	14,808
Merger Warrants	March 15, 2024	January 28, 2027	950.00	11,404
Private Placement Warrants	March 15, 2024	July 9, 2026	43.91	203,444
Registered Pre-Funded Warrants	February 25, 2025	April 21, 2030	0.0019	42,381
Private Pre-Funded Warrants	February 25, 2025	April 21, 2030	0.0019	46,232
Common Warrants	February 25, 2025	April 21, 2030	17.68	312,503
Inducement Warrants	February 25, 2025	April 21, 2030	17.68	366,087
A&R Warrants	February 25, 2025	April 21, 2030	0.0019	25,119
				1,021,978

(U.S, dollars in thousands except share and per share data)

NOTE 8 – STOCKHOLDERS' EQUITY (continued)

B. Stock-based Compensation:

The Company accounted for the Agents Warrants under the scope of ASC 718-10 "Stock-Based Payment", ("ASC 718-10"), and treated them as issuance costs of the March 2024 PIPE as the Company considers these Warrants as consideration for receipt of Private Placement Services.

A summary of options granted to purchase the Company's Common Stock under the Company's share option plans is as follows:

	For the Six Months Ended June 30, 2026		
	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at the beginning of period	150,387	$ 51.94	$ -
Granted	-	-	-
Forfeited	148,675	36.68	-
Expired	1,712	32.53	-
Exercised	-	-	-
Outstanding at the end of period	-	-	$ -
Exercisable at end of period	-	-	
Weighted average remaining contractual life – years as of June 30, 2026	-		

Warrants:

As of June 30, 2026, the Company had the following outstanding compensation related warrants to purchase Common Stock:

Warrant	Issuance Date	Expiration Date	Exercise Price Per Share	Number of Shares of Common Stock Underlying Warrants
Private Warrants issued to scientific founders*	November 27, 2017	-	-	16
Landlord Warrants	March 15, 2024	January 28, 2027	950.00	1,316
Agents Warrants	March 15, 2024	July 9, 2026	43.91	50,126
January 2026 private placement agent warrants	January 13, 2026	January 12, 2031	2.50	99,000
				150,458

* In November 2017, BiomX Israel issued 298 warrants to its founders. The warrants were fully vested at their grant date and will expire immediately prior to a consummation of an M&A transaction. The warrants did not expire as a result of the Recapitalization Transaction and have no exercise price.

The following table sets forth the total stock-based payment expenses resulting from options, RSUs and warrants granted, included in the consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Research and development expenses, net	-	279	(647)	467
General and administrative	3,988	417	2,707	888
	3,988	**696**	**2,060**	**1,355**

Following the insolvency proceedings of BiomX Israel significantly all Company's prior employees were dismissed and their unvested options forfeited. As of June 30, 2026, the Company recorded credit to its share based compensation expenses and debit to additional paid for such portion of the non-vested options.

(USD in thousands, except share and per share data)

NOTE 9 – BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed on the basis of the net loss for the period divided by the weighted average number of shares of Common Stock outstanding during the period, fully vested warrants with no exercise price for the Company's Common Stock, fully vested pre-funded warrants for the Company's Common Stock at an exercise price of $0.01 per share and $0.0001 per share and A&R Warrants at an exercise price of $0.0001 per share, as the Company considers these shares to be exercised for little to no additional consideration.

Diluted loss per share is based upon the weighted average number of shares of Common Stock and of potential shares of Common Stock outstanding when dilutive. Potential shares of Common Stock equivalents include outstanding stock options and warrants, which are included under the treasury stock method when dilutive.

The basic and diluted net loss per share and weighted average number of shares of Common Stock used in the calculation of basic and diluted net loss per share are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025(*)	2026	2025(*)
Basic and diluted loss per share of common stock				
Numerator:				
Net loss	3,846	6,037	22,986	13,696
Preferred dividends on Series Y Convertible Preferred Stock	-	-	85	-
Numerator	3,846	6,037	23,071	13,696
Denominator:				
Number of shares of common stock outstanding	10,066,860	1,326,452	6,233,522	1,211,041
Number of shares upon pre-funded warrants and A&R Warrants exercise	246,216	321,342	246,216	223,155
Number of shares upon Fully vested Warrants exercise	-	16	-	16
Total weighted-average number of shares of common stock, shares upon pre-funded warrants, A&R Warrants and Fully vested Warrants exercise used in computing basic and diluted loss per share	10,313,076	1,647,810	6,479,738	1,434,212
Basic and diluted loss per share of common stock	0.37	3.66	3.56	9.55

The calculation of diluted loss per share for the three and six months ended June 30, 2026 and June 30, 2025, does not include the shares underlying the following financial instruments because their effect would be anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Options	-	158,072	-	158,072
Warrants	959,704	959,704	959,704	959,704
Contingent shares	10,526	10,526	10,526	10,526
Redeemable Convertible Preferred Shares	776,383	777,553	776,383	777,553

(*) All share amounts have been retroactively adjusted to reflect a 1-for-19 reverse share split as discussed in Note 8A.

(USD in thousands, except share and per share data)

NOTE 10 – SEGMENT REPORTING

A. Information about reported segment profit or loss and assets

The Company operates as a single operating segment. The Company’s chief operating decision-maker (“CODM”) is its chief executive officer, who reviews financial information presented on a consolidated basis. The CODM uses consolidated Net loss and Operating loss to monitor budget versus actual results in assessing segment performance and the allocation of resources. Significant segment expenses are presented in the Company’s consolidated statements of operations.

Additional disaggregated significant segment expenses on a functional basis, that are not separately presented on the Company’s consolidated statements of operations, regularly reviewed by the Company’s CODM, include salaries and clinical trials expenses and presented below.

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Revenues from defense business	332	-	332	-
Cost of revenues	235	-	235	-
Gross profit	97	-	97	-
Operating expenses:				
Salaries and related expenses, other than share-based compensation	429	1,932	2,202	3,909
Clinical trials	-	3,424	95	7,049
Stock based compensation	3,988	696	2,060	1,355
Depreciation expenses	4	292	4	528
Insurance	623	-	1,466	-
Other segment items (*)	370	1,089	883	2,348
Total Operating loss	5,414	7,433	6,710	15,189

(*) Other segment items include all remaining costs necessary to operate the Company’s business, which primarily include external professional services, rent and other administrative expenses, and are presented net of grants received

The Company’s Property and equipment, as well as the Company’s operating lease right-of-use assets recognized on the consolidated balance sheets were located as follows:

	As of June 30, 2026	As of December 31, 2025
Israel	99	157
United States	2	-
Total	101	157

NOTE 11 – SUBSEQUENT EVENTS

In July and August, 2026, the Company issued and sold the Company issued and sold 8,902,611 common shares for $2,418 net of transaction costs net of transaction costs under the Sales Agreement for the Company's ATM facility

On July 10, 2026, in order to comply with Section 712 of the NYSE American Company Guide which provides that a listed company may not issue without stockholder approval more than 19.99% of its then issued and outstanding share, the Company cancelled 1,013,637 shares of common stock previously issued in June 2026 upon conversion of a convertible promissory note issued to Mandragola under the Credit Facility. As a result of the cancellation, the corresponding conversion was reversed and the principal balance of such note in the amount of $379 was reinstated as an outstanding obligation of the Company in accordance with its terms. The issuance of shares upon conversion of the Credit Facility notes and upon exercise of the related warrants, to the extent exceeding 19.99% of the outstanding common stock, is being presented for stockholder approval at the meeting of stockholders scheduled for August 25, 2026.

On July 27, 2026, the Company and Water IO entered into Amendment No. 1 and Waiver, dated as of July 24, 2026, to the Note (the "Amendment") pursuant to which (i) the maturity date of the Note was extended from July 7, 2026 to November 1, 2026; (ii) the Company agreed to pay $250,000 of principal within two business days after execution of the Amendment, and the remaining principal in four equal monthly installments of $250,000 each on August 1, September 1, October 1 and November 1, 2026, with the outstanding balance continuing to bear interest at the short-term Applicable Federal Rate payable with the final installment; (iii) in full satisfaction of interest accrued through the date of the Amendment and as consideration for the delay in payment and the waiver and extension, the Company agreed to issue to Water IO 800,000 restricted shares of common stock, subject to clearance of an additional listing application with the NYSE American and written confirmation by each party of its corporate approvals, with an August 31, 2026 longstop after which such amount is payable in cash and no shares will be issued; and (iv) Water IO irrevocably waived, retroactively to the original maturity date, any default, event of default or right of acceleration arising from the non-payment of the Note at its original maturity date, and confirmed that the Note has not been accelerated. Following further discussions with NYSE American, the number of restricted shares issuable to Water has been reduced to 267,956 shares which have not yet been issued as of the date of this report. The Company has determined to pay the accrued interest of approximately $80 in lieu of any further share issuances.

On August 5, 2026, the Company entered into a Share Purchase and Option Agreement (the "MEA SPA") with Mayers Ventures LLC ("Mayers"), pursuant to which the Company agreed to purchase 324,573 shares of M.E.A. Testing Systems Ltd., an Israeli developer of advanced electric motor testing and validation systems ("MEA"), representing 10% of the issued and outstanding equity interests, on a fully diluted basis, of MEA, together with 10% of MEA's affiliated company in India to the extent such company is not a subsidiary of MEA. As consideration, the Company agreed to pay Mayers $50 and to issue to Mayers 1,300,000 restricted shares of common stock. The closing is subject to the approval by the NYSE American of a supplemental listing application and the execution and delivery of a license agreement granting the Company an exclusive, perpetual, worldwide, transferable license to the technology and knowhow of the MEA companies. Under the MEA SPA, the Company was also granted an exclusive option, exercisable through June 30, 2028, to purchase all of the remaining holdings of Motomova Inc. in MEA and its Indian affiliate, representing approximately 78.9% of the total issued share capital following the closing, subject to due diligence and other customary closing conditions. As of the date of these financial statements, the closing had not occurred.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated interim financial statements and the notes thereto included elsewhere in this Quarterly Report and with our audited consolidated financial statements and notes thereto included in the 2025 10-K. Certain information contained below includes forward-looking statements that involve risks and uncertainties. See "Cautionary Statement Regarding Forward-Looking Statements."

Overview

BiomX Inc. is a Delaware corporation that was originally incorporated as a blank check company in 2017 under the name Chardan Healthcare Acquisition Corp. Following a business combination completed in October 2019, the Company operated as a clinical-stage biopharmaceutical company developing phage-based therapies targeting bacterial pathogens implicated in chronic diseases.

Following the discontinuation of our legacy phage-therapy clinical programs and the commencement of insolvency proceedings of our former Israeli operating subsidiary, BiomX Ltd., in December 2025, we transitioned our strategic focus to the defense, security and critical infrastructure technology markets. Our operating activities are conducted through three Israeli subsidiaries: Dr. Frucht Systems Ltd., a provider of perimeter security and defense systems, of which we acquired 60% on April 13, 2026; Zorro Net Ltd., a provider of AI-powered detection and deterrence systems for critical infrastructure, which we acquired on April 10, 2026; and X Security & Defense Ltd., our wholly owned subsidiary focused on security, defense and first-response technologies. The three months ended June 30, 2026 is the first period in which the results of DFSL and ZorroNet are consolidated, in each case from the respective acquisition date, and the first period in which we recognize revenue from our defense and security operations.

The Defense, Security, and Critical Infrastructure Field

Through our subsidiaries, we operate at the intersection of several rapidly growing sectors within the global defense, security, and critical infrastructure markets. Our technology portfolio addresses the following key market segments:

Counter-Unmanned Aerial Systems (Counter-UAS). The proliferation of commercial and military drones has created an urgent demand for detection, tracking, and response systems capable of identifying and neutralizing unauthorized unmanned aerial vehicles. The global counter-UAS market has experienced rapid growth driven by increasing drone-based security threats to military installations, critical infrastructure, airports, and public venues worldwide. Governments and defense agencies across the globe have increased procurement of counter-drone solutions in response to asymmetric threats encountered in modern conflicts.

AI-Powered Command-and-Control and Video Analytics. Defense and security organizations increasingly require autonomous, AI-driven platforms capable of real-time threat detection, object recognition, anomaly identification, and automated response across networked sensor arrays and camera systems. The global command-and-control systems market and the video surveillance analytics market are expected to grow substantially through the end of the decade, driven by real-time situational awareness requirements in defense environments, smart city initiatives, and critical infrastructure protection mandates.

Perimeter Security and Border Defense. Physical and electronic perimeter security remains a priority for military installations, national borders, energy facilities, and high-value commercial assets worldwide. The trend toward "virtual fencing"—automated surveillance systems that provide continuous detection without physical barrier infrastructure—has accelerated as governments seek cost-effective alternatives to traditional perimeter solutions.

First-Response Technologies. The demand for advanced first-response technologies, including aerial firefighting systems and autonomous emergency response capabilities, has grown in response to the increasing frequency and severity of natural disasters, including large-scale wildfires, and the operational challenges these events pose for traditional firefighting and emergency response infrastructure.

Our Products and Technologies

Through its operating subsidiaries, the Company develops, deploys, and commercializes advanced detection, surveillance, autonomous response, and command-and-control technologies. The Company's principal product platforms are described below.

DFSL — LADAR-Based Detection Systems

DFSL develops proprietary LADAR (Laser Radar)–based detection systems for security, defense, and critical infrastructure applications. DFSL was founded in 1995 by Dr. Yaacov Frucht, who had previously served as a senior research leader at Rafael Advanced Defense Systems Ltd., and has since independently developed its proprietary laser radar technology over more than three decades for civilian, homeland security, and defense applications. DFSL's technology combines laser-based sensing with proprietary AI algorithms to detect and respond to both UAV and ground-based intruders, enabling high-precision detection and classification with reduced false positives compared to conventional LiDAR systems. DFSL has reported detection accuracy rates of up to approximately 99%. DFSL has previously received grants from the Israel Innovation Authority ("IIA") for the development of its anti-drone technology.

DFSL's platform is deployed across four primary application areas:

- *Counter-UAS (Drone Detection and Response)* — detection of UAVs at extended ranges with near-zero false alarm rates, supporting military, homeland security, and critical infrastructure protection requirements.

- *Perimeter and Border Security ("Virtual Fencing")* — continuous, automated surveillance along borders, sensitive installations, and high-value assets, providing 360-degree intruder detection without physical barrier infrastructure.

- *Wide-Area 360-Degree Surveillance* — broad-coverage detection for military bases, energy facilities, transportation hubs, and other high-priority sites requiring persistent monitoring.

- *Rail and Metro Safety Systems* — track intrusion detection for rail and metro operators, enhancing public safety and reducing operational disruptions caused by unauthorized track access.

Zorronet — AI-Powered Security and Command-and-Control Platform

Zorronet develops and deploys artificial intelligence (AI) systems for perimeter security, defense, monitoring, and command-and-control applications. The company's smart, dynamic software platform operates as an external software layer ("middleware") that connects to deployed cameras, sensors, analytics systems, and robotic assets (such as drones), as well as to existing infrastructure. The platform performs real-time autonomous threat detection, object recognition, perimeter intrusion identification, and automated event-triggered response, with native integration into unmanned aerial systems (UAS/drones), alarm networks, and command-and-control (C2) systems.

Zorronet's platform enables remote connection to endpoint devices and existing systems, performs continuous monitoring of data streams, and identifies anomalies using advanced processing algorithms that simulate human capabilities of detection, analysis, and prediction. The system performs real-time event analysis using Big Data principles and predictive analytics, operating autonomously to identify abnormal scenarios, generate targeted reports, route information, activate relevant response measures, and recommend courses of action—all efficiently, accurately, and without the need for continuous human intervention.

X Security & Defense — Security, Defense, and First-Response Technologies

X Security & Defense LTD. is a wholly-owned Israeli subsidiary focused on security, defense, and first-response technologies. The Company has committed to finance X Security & Defense's 2026 operations with over $3 million from internal funds. For its initial transaction, the Company has signed a non-binding letter of intent with an unrelated third party to secure exclusive distribution rights in Israel for an advanced aerial firefighting system from a drone components and payload developer.

Sales, Marketing, and Distribution

Our products and technologies are marketed and sold through a combination of direct sales to government and military customers, co-development arrangements with prime defense contractors, distribution agreements with strategic partners, and project-based engagements.

The Company intends to generate revenues through a combination of (i) project-based engagements and product sales, including the sale and deployment of DFSL's LADAR detection systems and Zorronet's discrete project deliveries to defense prime contractors and end users; (ii) recurring software-as-a-service revenues from Zorronet's deployed AI software platform, scaling with active customer deployments; (iii) co-development engagements with Israeli defense prime contractors, including Elbit Systems Ltd. and Rafael Advanced Defense Systems Ltd.; and (iv) cost-reimbursement government research and development contracts at APT, including the legacy contract with the Medical Technology Enterprise Consortium with respect to the BX011 program. X Security & Defense LTD. has not yet commenced commercial operations.

DFSL's LADAR systems have been deployed in both pilot and operational environments, including transportation infrastructure and defense-related settings. The Company intends to leverage DFSL's existing relationships and operational track record to expand deployments across counter-UAS, perimeter security, and rail safety applications.

Zorronet currently operates through direct engagement with defense prime contractors, military agencies, and security service providers. In December 2025, Zorronet signed a distribution agreement with KeepZone AI Inc. in the United States for the installation of crowd analytics systems at stadiums in Israel and Mexico in preparation for the 2026 World Cup. Zorronet also entered into an exclusive distribution agreement with MyTrade FZ LLC for marketing and sales of its products in the United Arab Emirates.

X Security & Defense is pursuing exclusive distribution rights in Israel for advanced aerial firefighting systems and intends to establish additional distribution channels for security and first-response products.

Customers

Our customer base includes military and defense agencies, defense prime contractors, homeland security authorities, transportation operators, municipalities, energy companies, educational institutions, and commercial security providers. Key customer relationships.

Manufacturing and Suppliers

DFSL's LADAR-based detection systems are designed and developed in Israel. The systems incorporate proprietary laser-based sensing components and AI-driven software algorithms developed internally by DFSL. Manufacturing, assembly, and testing are principally performed at DFSL's facilities in Israel, with certain components and sub-assemblies sourced from qualified third-party suppliers and contract manufacturers under DFSL's supervision. Certain components used in DFSL's systems may be sourced from third-party suppliers, and any disruption in the supply of such components could affect DFSL's ability to deliver its systems on schedule.

Zorronet's products are software-based and do not require traditional manufacturing. The Zorronet platform is developed and maintained by its in-house software development and AI engineering team based in Netanya, Israel. The platform is designed to integrate with commercially available hardware, including cameras, sensors, and robotic assets, which are procured from third-party suppliers as required for specific deployments.

Legacy BioPharma Business

Our legacy Pharma business is conducted through our wholly-owned subsidiary Delaware subsidiary Adaptive Phage Therapeutics LLC. Patent rights have been retained. Limited non-dilutive grant relationships associated with APT's legacy BX011 program have been retained.

The Company is exploring opportunities to commercialize the retained patent portfolio, including preliminary discussions with a pharmaceutical company regarding a potential collaboration.

Summary of Developments During the Quarter

- On April 10, 2026, we acquired 100% of ZorroNet from Water IO for consideration valued at approximately $6.6 million, and on April 13, 2026, we acquired 60% of DFSL from Mandragola for consideration valued at approximately $9.9 million for the controlling interest. See Note 7 to the condensed consolidated interim financial statements.
- On April 13, 2026, we exercised our option and acquired a 60% interest in DFSL in consideration for $750,000 in cash, an unsecured convertible promissory note in the principal amount of $3,000,000, pre-funded warrants and five-year warrants exercisable for shares of our Common Stock, and a revenue-based bonus right, in each case subject in part to stockholder approval under NYSE American rules. As of June 30, 2025, the obligations under the note have been satisfied.

  In connection with the acquisition, the Company was assigned the rights and assumed the obligations of Mandragola Ltd. under a Shareholders Agreement dated March 31, 2026 among Mandragola, DFSL and Dr. Yaacov Frucht, including put and call arrangements over the remaining 40% of DFSL held by Dr. Frucht.

  Under these arrangements, at any time after the second anniversary of the Shareholders Agreement, Dr. Frucht has the right to require the Company to purchase either an additional 20% of DFSL or all of his remaining shares at the Option Exercise Price (as defined below). If the resulting implied enterprise value would be less than the enterprise value implied at closing (US$2,166,667), and DFSL has achieved cumulative sales of US$1,500,000 for the years 2026 and 2027, Dr. Frucht may instead exercise this put at a price based on the closing enterprise value, or US$433,333 per 20% interest, applied pro rata. At any time after the fourth anniversary, Dr. Frucht may require the Company to purchase all of his remaining shares at the Option Exercise Price, subject to achievement of the sales target described above unless the failure to achieve it was primarily caused by actions contrary to DFSL's agreed business plan. In addition, if within 18 months following the closing DFSL approves a material change to its agreed business plan that is reasonably expected to reduce the sales target by at least 25%, Dr. Frucht may exercise his put option on a pro rata basis corresponding to the ratio of DFSL's actual revenues to the sales target.

  The Company holds corresponding call rights: at any time after the third anniversary, the Company is entitled to purchase an additional 20% of DFSL at the greater of US$800,000 or the Option Exercise Price, and at any time after the fourth anniversary, to purchase all remaining shares held by Dr. Frucht at the Option Exercise Price. Each put and call option expires if not exercised within 60 days following the fourth anniversary of the Shareholders Agreement.

  "Option Exercise Price"means the average EBITDA of DFSL for the two fiscal years immediately preceding exercise, multiplied by 6.8, multiplied by the percentage of shares purchased. EBITDA for this purpose excludes management fees, administrative charges and other costs imposed by the Company or its affiliates that are not directly related to DFSL.

- On April 15, 2026, ZorroNet entered into a framework supply agreement with Israel Railways for AI-powered animal detection and deterrence alert stations, following a successful pilot program.

- On April 10, 2026, our stockholders approved the 2026 Equity Incentive Plan (1,390,000 shares), and on June 26, 2026, our stockholders approved an amendment increasing the shares available thereunder by 5,460,000 shares, to 6,850,000 shares.

- On May 13, 2026, we entered into a $2.0 million revolving Line of Credit Agreement with Mandragola, and issued Mandragola a five-year warrant for 2,000,000 shares exercisable at $12.00 per share.

- On June 10, 2026, NYSE Regulation accepted our compliance plan with respect to the stockholders' equity continued listing standards and granted a compliance plan period through September 25, 2027.

- On June 16, 2026, we reactivated our at-the-market offering program and, through June 30, 2026, sold 793,005 shares for net proceeds of approximately $0.3 million; after quarter end and through the date of this report, we sold an additional 8,902,611 shares for net proceeds of approximately $2.4 million.

- On July 1, 2026, the Audit Committee dismissed Kesselman & Kesselman (PwC Israel) and engaged Barzily & Co. as our independent registered public accounting firm, and Mr. Roy Rousso was appointed Chief Business Officer.

- On July 27, 2026, we and Water IO entered into Amendment No. 1 and Waiver, dated as of July 24, 2026, to the Note (the "Amendment") pursuant to which (i) the maturity date of the Note was extended from July 10, 2026 to November 1, 2026; (ii) the Company agreed to pay $250,000 of principal within two business days after execution of the Amendment, and the remaining principal in four equal monthly installments of $250,000 each on August 1, September 1, October 1 and November 1, 2026, with the outstanding balance continuing to bear interest at the short-term Applicable Federal Rate payable with the final installment; (iii) in full satisfaction of interest accrued through the date of the Amendment and as consideration for the delay in payment and the waiver and extension, the Company agreed to issue to Water IO 800,000 restricted shares of common stock, subject to clearance of an additional listing application with the NYSE American and written confirmation by each party of its corporate approvals, with an August 31, 2026 longstop after which such amount is payable in cash and no shares will be issued; and (iv) Water IO irrevocably waived, retroactively to the original maturity date, any default, event of default or right of acceleration arising from the non-payment of the Note at its original maturity date, and confirmed that the Note has not been accelerated. Following further discussions with NYSE American, the number of restricted shares issuable to Water has been reduced to 267,956 shares which have not yet been issued as of the date of this report. The Company has determined to pay the accrued interest of approximately $80 in lieu of any further share issuances.

Results of Operations

Three and Six Months Ended June 30, 2026 Compared to Three and Six Months Ended June 30, 2025

The comparability of our results between periods is limited: the 2025 periods reflect the operations of our legacy clinical-stage phage business, including BiomX Israel (deconsolidated February 4, 2026) and APT, while the 2026 periods reflect the wind-down of legacy activities and, from the April 2026 acquisition dates, the operations of DFSL and ZorroNet.

	Six months ended June 30		Three months ended June 30	
	2026	**2025**	**2026**	**2025**
	USD in thousands		**USD in thousands**	
Revenues	332	-	332	-
Cost of revenues	235	-	235	-
Gross profit	97	-	97	-
Operating expenses:				
Research and development (“R&D”) expenses, net	(187)	10,264	128	5,014
General and administrative expenses	6,994	4,925	5,383	2,419
Operating loss	6,710	15,189	5,414	7,433
Other expenses (income)	(141)	76	5	70
Loss from discontinued operations	(1,860)	-	-	-
Income/loss from change in fair value of warrants	12,458	(2,412)	(1,598)	(1,498)
Interest expenses	211	10	20	5
Interest expense - related parties	5	-	5	-
Change in fair value - Day 1 loss	5,226	-	-	-
Finance expense, net	377	830		25
Net loss before tax	22,986	13,693	3,846	6,035
Tax expenses	-	3	-	2
Net loss	**22,986**	**13,696**	**3,846**	**6,037**

Revenues. Revenues for the three and six months ended June 30, 2026 were $332,000, attributable to DFSL and ZorroNet from their respective acquisition dates. We recorded no revenue in the comparable 2025 periods.

Research and development expenses, net. R&D expenses decreased from $5,014,000 and $10,264,000 in the three and six months ended June 30, 2025 to a net credit of $187,000 and expense of $128,000 in the corresponding 2026 periods. The decrease of approximately $5.2 million and $10.1 million in the three and six months was primarily attributable to (i) the reversal of previously recognized stock-based compensation expense following the cancellation of unvested awards held by departing employees of BiomX Israel, (ii) the discontinuation of the Phase 2b clinical trial of BX004 in December 2025 and the associated wind-down of program activities, and (iii) the deconsolidation of BiomX Ltd. effective February 4, 2026 partially offset by development activities of acquired defense business . Following the discontinuation of the BX004 program and the deconsolidation of BiomX Ltd., the Company does not anticipate further grant-funded R&D under the MTEC Base Agreement and is evaluating strategic alternatives with respect to the MTEC-funded technology.

General and administrative expenses. G&A expenses were $5,383,000 and $6,994,000 for the three and six months ended June 30, 2026, compared to $2,419,000 and $4,925,000 in the corresponding 2025 periods. The increase of approximately $3.0 and $2.1 million in the three and six months was primarily attributable to stock-based compensation expense related to issuance of shares to employees, directors and consultants during the second quarter of 2026 partially offset by the reversal in the first quarter of previously recognized stock-based compensation expense following the cancellation of unvested awards held by departing employees of BiomX Israel as described above and an increase in insurance expenses.

Day 1 loss. Day 1 loss upon entering transaction was $5,226,000 for the three and six months ended June 30, 2026, attributable to the issuance date fair value of the warrants and embedded conversion derivative issued in connection with the January 2026 private placement of Series Y Convertible Preferred Stock and accompanying warrants. There was no comparable amount in the three and six months ended June 30, 2025.

Loss from change in fair value. Income from change in fair value of derivatives was $1,598,000 for the three months ended June 30, 2026 and loss from change in fair value of derivatives of $12,458,000 for the six months ended June 30, 2026, compared to income from change in fair value of derivatives of $1,498,000 and $2,412,000 for the three and six months ended March 31, 2025. The change was primarily attributable to the warrants and embedded conversion derivative issued in connection with the January 2026 private placement of Series Y Convertible Preferred Stock and the increase in the trading price of the Common Stock between the issuance date of the warrants issued in the January 2026 private placement and the exercise date in March 2026, which increased the fair value of the liability-classified warrants prior to their exercise partially offset by decrease in the fair value of liability classified warrant.

Finance expenses. Finance expenses, net, were $377,000 for the three and six months ended June 30, 2026, compared to $25,000 and $830,000 for the three and six months ended June 30, 2025. The decrease was primarily attributable reduction in transaction costs in the quarter ended March 31, 2025 which consisted of transaction costs incurred in connection with the February 2025 compared to transaction costs incurred in connection with the January 2026 private placement of Series Y Convertible Preferred Stock.

Net gain from deconsolidation of subsidiary. Net gain from deconsolidation of subsidiary was $1,860,000 for the three and six months ended June 30, 2026, attributable to the deconsolidation of BiomX Ltd. following the commencement of insolvency proceedings in December 2025 and the appointment of a Trustee to BiomX Ltd. by the District Court of the Central District in Lod, Israel on January 25, 2026. As of February 4, 2026, following the deconsolidation, the assets and liabilities of BiomX Ltd. were no longer included in the Company's consolidated balance sheet. There was no comparable amount in the three and six months ended June 30, 2025.

Net losses. Net losses were $3,846,000 and $22,986,000 for the three and six months ended June 30, 2026, of which $74,000 was attributable to non-controlling interests in DFSL, compared to $6,035,000 and $13,693,000 for the three and six months ended June 30, 2025. The increase in net loss was primarily attributable to the non-cash warrant-related charges (consisting of the $5,226,000 Day 1 loss upon issuance of the January 2026 warrants and embedded conversion derivative and the $12,458,000 loss from change in fair value of the liability-classified warrants prior to their exercise in March 2026), share based compensation expenses of $2,246,000, partially offset by the $1,860,000 net gain on the deconsolidation of BiomX Ltd. and the decrease in operating loss between the periods.

Basic and diluted loss per share. Basic and diluted loss per share of Common Stock was $0.36 and $3.55 for the three and six months ended June 30, 2026, compared to $3.66 and $9.55 for the three and six months ended June 30, 2025 (as retroactively adjusted to reflect the 1-for-19 reverse stock split effected on November 25, 2025). The decrease in loss per share was primarily attributable to the increase in the weighted average number of shares of Common Stock outstanding from 1,647,810 and 1,434,212 shares for the three and six months ended March 31, 2025 to 10,556,585 and 6,479,738 shares for the three and months ended June 30, 2026, more than offsetting the increase in net loss between the periods

Liquidity and Capital Resources

As of December 31, 2025, we had cash, cash equivalents and restricted cash of approximately $4,955,000, and a stockholders' capital deficiency of approximately $1,302,000. As of June 30, 2026, we had cash, cash equivalents and restricted cash of approximately $347,000.

On December 7, 2023, we entered into the ATM Agreement with H.C. Wainwright, as sales agent or principal, providing for the offer and sale from time to time of up to $9,145,000 of our shares common stock under the ATM, which ATM offering was registered under our Shelf Registration Statement. During the quarter ended June 30, 2026, we raised approximately $291,000 (net of sales agent fees) from the sale of 793,000 shares of common stock under the ATM. Furthermore, in July and August 2026, we sold an aggregate of 8,902,611 shares of our common stock pursuant to the ATM Agreement, at an average price of $0.2836 per share, raising aggregate gross proceeds of approximately $2.5 million and net proceeds of approximately $2.4 million.

On April 10, 2026, we completed the acquisition of Zorronet in exchange for 1,300,000 shares of our Common Stock and a non-convertible promissory note in the principal amount of $1,250,000 maturing July 7, 2026, plus the assumption of an earnout payment obligation payable not later than March 31, 2027 and certain key-employee retention commitments. On April 13, 2026, we exercised our option and acquired a 60% interest in DFSL in consideration for $750,000 in cash , which cash consideration was funded in part with proceeds received in April 2026 from the warrant exercises described above, an unsecured convertible promissory note in the principal amount of $3,000,000, pre-funded warrants and five-year warrants exercisable for shares of our Common Stock, and a revenue-based bonus right, in each case subject in part to stockholder approval under NYSE American rules. As of June 30, 2026, our obligations under the note have been satisfied. We have also committed to fund X Security's 2026 operations with over $3.0 million from internal funds. On July 7, 2026, the $1.25 million non-convertible promissory note issued to Water IO Ltd. in connection with the ZorroNet Acquisition described in Note 7 was scheduled to mature.

In July 27, 2026, the Company and Water IO entered into Amendment No. 1 and Waiver, dated as of July 24, 2026, to the Note pursuant to which (i) the maturity date of the Note was extended from July 10, 2026 to November 1, 2026; (ii) the Company agreed to pay $250,000 of principal within two business days after execution of the Amendment, and the remaining principal in four equal monthly installments of $250,000 each on August 1, September 1, October 1 and November 1, 2026, with the outstanding balance continuing to bear interest at the short-term Applicable Federal Rate payable with the final installment; (iii) in satisfaction of accrued interest and as consideration for the waiver and extension, the Company agreed to issue to Water IO 800,000 restricted shares of common stock, subject to clearance of an additional listing application with the NYSE American, with an August 31, 2026 longstop after which such amount is payable in cash and no shares will be issued; and (iv) Water IO irrevocably waived, retroactively to the original maturity date, any default arising from the non-payment of the note at its original maturity;.

On August 5, 2026, we entered into a Share Purchase and Option Agreement with Mayers Ventures LLC pursuant to which we agreed to purchase 10% of the fully diluted equity interests of M.E.A. Testing Systems Ltd., an Israeli developer of advanced electric motor testing and validation systems, together with 10% of its Indian affiliate, for $50,000 and 1,300,000 restricted shares of Common Stock, with an exclusive option, exercisable through June 30, 2028, to acquire the remaining holdings of Motomova Inc. therein. The closing is subject to NYSE American approval of a supplemental listing application and the execution of an exclusive worldwide license of the MEA companies' technology to us. See the subsequent events note to the condensed consolidated interim financial statements.

As of June 30, 2026, the aggregate principal amount outstanding under the Mandragola credit facility was $0 and the remaining undrawn availability was $2,000,000.

Under our At The Market Offering Agreement, during the six months ended June 30, 2026 we issued and sold 793,005 shares of Common Stock for net proceeds of $291,000, and in July and August 2026 we issued and sold 8,902,611 additional shares for net proceeds of approximately $2.4 million.

Several outstanding instruments may dilute existing stockholders and affect our future liquidity and capital structure. As of June 30, 2026, the Company had 51,598 shares shares of Series X Redeemable Convertible Preferred Stock outstanding, which are convertible into shares of our Common Stock at a conversion ratio of approximately 5.26 shares of Common Stock per share of Series X (or approximately 271,568 shares of Common Stock in the aggregate).

Following the April 13, 2026 acquisition of DFSL, the Company is obligated, subject to stockholder approval required to issue Common Stock above the 19.99% threshold in connection with the Mandragola convertible note, part of the Mandragola pre-funded warrants and the Mandragola five-year warrant. An extraordinary meeting of the stockholders has been scheduled to be held on August 25, 2026 to, among other things, approve the issuance of common stock upon conversion / exercise by Mandragola of these securities.

On May 13, 2026, the Company and Mandragola entered into a Line of Credit Agreement establishing a revolving line of credit of up to $2,000,000 (the "Credit Line") available to the Company or any operating subsidiary, including DFSL and ZorroNet. Each advance is evidenced by a convertible promissory note bearing simple annual interest at 12% and convertible into shares of the Company's Common Stock at the closing price of the Common Stock on the trading day immediately preceding delivery of the notice of conversion. The maturity date of each Credit Line Note is May 13, 2029. The parties agreed that prior advances made by Mandragola in respect of the DFSL Acquisition are deemed to be advances within the Credit Limit. As additional consideration for making the Credit Line available, the Company also issued to Mandragola a five-year warrant to purchase up to 2,000,000 shares of Common Stock at an exercise price of $12.00 per share, which warrant includes a cashless exercise feature. Until such time as stockholder approval as required by the applicable rules and regulations of the NYSE American LLC is obtained, these warrants are not deemed to be legally in effect. An extraordinary meeting of the stockholders has been scheduled to be held on August 25, 2026 to, among other things, approve the issuance of common stock upon conversion / exercise by Mandragola of these securities.

Our principal sources of liquidity for the foreseeable future are expected to include sales under our ATM program, operating revenues from our operating subsidiaries, proceeds from any future capital raises (including under any future at-the-market offering program) andthe Mandragola credit line and cost-discipline measures at the parent-company level.

Our ability to raise additional capital, including under any contemplated future at-the-market offering program, is subject to market conditions, the trading price and trading volume of our Common Stock, our public float, the rules of the NYSE American (including with respect to the issuance of shares in excess of 19.99% of our outstanding Common Stock), and other factors outside of our control. We have implemented, and intend to continue, cost-discipline measures at the parent-company level. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to support and expand our business, integrate our recently acquired operating subsidiaries, and respond to business challenges could be significantly limited. As a result of the foregoing, management believes that there is substantial doubt as to our ability to continue as a going concern. Based on the Company's current cash and projected operating needs, management believes the Company's funds will be sufficient to fund operations only for the next several months following the date of issuance of the condensed consolidated interim financial statements.

Cash Flows

The following table summarizes our sources and uses of cash for the six months ended June 30, 2026 and 2025:

	USD in thousands	
Net cash used in operating activities	(6,583)	(14,821)
Net cash provided by (used in) investing activities	(1,552)	109
Net cash provided by financing activities	3,258	11,884
Net increase (decrease) in cash and cash equivalents	(4,607)	(2,828)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	-	39

Operating Activities

Net cash used in operating activities for the six months ended June 31, 2026 was $6.6 million, primarily driven by the net loss for the period of $23.0 million, adjusted for non-cash items including the $12.5 million loss from change in fair value of liability-classified warrants, the $5.2 million Day 1 loss recognized upon issuance of the January 2026 warrants, and $0.2 million of value attributable to warrants issued in connection with the private placement, $2.1 million reversal of previously recognized stock-based compensation expense partially offset by the $1.9 million gain on deconsolidation of BiomX Ltd. Operating cash flows were further affected by an decrease in other current assets of $1.4 million and a decrease in other accounts payable of $1.6 million, partially offset by an increase in trade accounts payable of $0.4 million and in trade receivables of $0.5 million.

Net cash used in operating activities for the six months ended June 30, 2025 was $14.8 million, primarily driven by our R&D, general and administrative expenses, as well as changes in our operating assets and liabilities of $1.0 million. Non-cash charges for the six months ended June 30, 2025 consisted primarily of income from change in fair value of warrants of $2.4 million, stock-based compensation expenses of $1.4 million and depreciation expenses of $0.5 million. Net changes in our operating assets and liabilities consisted primarily of an increase in trade accounts payable of $0.3 million, a decrease in other accounts payable of $2.4 million and a decrease in other current assets of $1.1 million.

Investing Activities

During the six months ended June 30, 2026, net cash used in investing activities was $1.6 million, consisting of the cash and cash equivalents derecognized upon the loss of control of BiomX Ltd. on February 4, 2026 and cash used in purchase of our subsidiaries during April 2026.

During the six months ended June 30, 2025, net cash provided by investing activities was approximately $51 thousand, consisting of proceeds from the sale of property and equipment.

We have invested, and plan to continue to invest, our existing cash in short-term investments in accordance with our investment policy. These investments may include money market funds and investment securities consisting of U.S. Treasury notes, and high quality, marketable debt instruments of corporations and government sponsored enterprises.

Financing Activities

During the six months ended June 30, 2026, net cash provided by financing activities was $3.3 million, consisting of net proceeds from the January 2026 private placement of Series Y Convertible Preferred Stock and accompanying warrants of $2.6 million, $0.3 million from net proceeds from the Issuance of Common Stock under At the Market Sales Agreement and $656 million received from Mandargola under our line of credit. The Company also received $3.3 million of gross proceeds from the exercise of warrants by the holder of the Series Y Convertible Preferred Stock on March 19, 2026; as of June 30, 2026, $3.0 million were offset against the principal balance promissory note issued to Mandragola in connection with the DFSL acquisition and the balance of $0.3 were recorded as a receivable on account of shares in the Company's condensed consolidated balance sheets and were collected after the period end.

Going Concern

The Company has incurred significant losses and negative cash flows from operations since inception and has an accumulated deficit of approximately $239.8 million as of June 30, 2026. The Company expects to continue to incur losses for the foreseeable future. Management believes that the Company's current funds, including the $3.0 million in gross proceeds raised in January 2026 from the issuance of Series Y Convertible Preferred Stock and the $3.3 million in gross proceeds raised in March 2026 from the cash exercise of the warrants issued in connection with the Series Y Convertible Preferred Stock, together with sales receipts under our Atm Progran and revenue and cash flows expected to be generated by the Company's recently acquired operating subsidiaries DFSL and ZorroNet will be sufficient to fund operations only for the next several months from the date of issuance of the condensed consolidated interim financial statements. The Company's ability to continue as a going concern depends on its ability to obtain additional financing or to generate sufficient operating cash flows from its newly acquired subsidiaries, neither of which can be assured. These factors raise substantial doubt about the Company's ability to continue as a going concern. The condensed consolidated interim financial statements have been prepared on a going concern basis and do not include any adjustments that may result from the outcome of these uncertainties.

Outlook

We have incurred an accumulated deficit of approximately $239.8 million as of June 30, 2026, compared with approximately $216.9 million as of December 31, 2025, substantially all of which is attributable to our legacy phage therapy operations and pre-restructuring corporate expenses. To date, we have not generated material revenue from operations.. We expect to generate revenues from the sale and deployment of DFSL's LADAR-based detection systems, from project-based and recurring software-as-a-service engagements at Zorronet, and from X Security's contemplated distribution arrangements. We also expect to receive non-dilutive grant funding associated with APT's legacy BX011 program. There can be no assurance, however, that revenue generated during 2026 will exceed our cost of operations.

Consistent with our anticipated near-term operating losses, we expect to continue to incur losses in the foreseeable future. To the extent we require funds above our existing liquidity resources in the medium and long term, we plan to fund our operations, the integration of the new operating subsidiaries, and the build-out of X Security through future issuances of public or private equity, issuance of debt securities, the pending Mandragola credit line, and possibly additional grants from the Israel Innovation Authority. Our ability to raise additional capital in the equity and debt markets is dependent on a number of factors including, but not limited to, market demand for our securities, the trading price and trading volume of our Common Stock, our compliance with the continued listing standards of the NYSE American, the dilutive impact of any contemplated offering on existing stockholders, and the timing and outcome of any NYSE Regulation review of our compliance posture under Sections 1003(a) and 1003(c) of the NYSE American Company Guide.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based on our condensed consolidated interim financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our estimates on historical experience, known trends and events and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant estimates in the Company's financial statements for the three months ended June 30, 2026 relate to the valuation and accounting classification of the Series Y Convertible Preferred Stock and the warrants issued in connection therewith and the valuation of other financial instruments fair value. There have been no material changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K for the year ended December 31, 2025, other than as described in the notes to our condensed consolidated interim financial statements with respect to the accounting for the Series Y Convertible Preferred Stock and accompanying warrants and the deconsolidation of BiomX Ltd.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2026, or the Evaluation Date. Based on such evaluation, those officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be included in periodic filings under the Exchange Act and that such information is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure. We intend to consult with appropriate third party consultants as to necessary remedial measures.

Changes in Internal Control over Financial Reporting. Other than the foregoing, there has been no change in our internal control over financial reporting, as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the quarter ended June 30, 2026, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings, other than as described below and in Notes 7 and 9 to the condensed consolidated interim financial statements included in this Quarterly Report.

BiomX Ltd. insolvency. On December 16, 2025, our former operating subsidiary, BiomX Ltd., commenced insolvency proceedings in Israel. On January 25, 2026, the Central District Court in Lod, Israel appointed a trustee over BiomX Israel. As a result of the appointment of the trustee and the related loss of control, we deconsolidated BiomX Israel effective February 4, 2026. As of June 30, 2026, our condensed consolidated balance sheet reflects a balance of approximately $1.3 million balance due to BiomX Israel, which may become subject to claims asserted by the trustee in the course of the insolvency proceedings. We are not able at this time to assess the likely outcome of the proceedings or to estimate the amount or range of any loss that may result.

Adaptive Phage Therapeutics, LLC. APT, our wholly owned subsidiary, is a defendant in an action filed by The Emmes Company, LLC in Maryland relating to services provided to APT's legacy clinical programs. APT is being wound down and has engaged bankruptcy counsel in connection with an anticipated voluntary petition under Chapter 7 of the U.S. Bankruptcy Code. The Emmes action is pending in the Circuit Court for Montgomery County, Maryland (Case No. C-15-CV-26-003709) and seeks approximately $333,000 allegedly due for clinical trial services provided to APT; APT disputes the amount claimed, and its response is due on or about August 31, 2026. The Company is not a party to the action. The Board of Directors has authorized APT to file a voluntary petition for relief under Chapter 7 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware; as of the date of this Quarterly Report the petition has not been filed, and the Company expects it to be filed shortly after the date hereof. Upon commencement of the Chapter 7 case, a trustee will assume control of APT and its remaining assets, and the Company expects to deconsolidate APT. The Company expects the Emmes claim to be addressed as a creditor claim in the Chapter 7 case.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report, including in the section captioned "Cautionary Statement Regarding Forward-Looking Statements," you should carefully consider the risk factors discussed in Part I, Item 1A "Risk Factors" of the 2025 10-K, as updated and supplemented by the risk factors relating to our strategic transition and new business focus set forth in the May 5 8-K. Those risks could materially affect our business, financial condition, results of operations, cash flows and the trading price of our Common Stock. The risk factors set forth below update and supplement those risk factors. Other than as set forth below and as supplemented by the disclosures contained elsewhere in this Quarterly Report, there have been no material changes to the risk factors set forth in the 2025 10-K and the May 5 8-K.

We are not in compliance with the NYSE American continued listing standards relating to stockholders' equity, and if we fail to regain compliance our Common Stock could be delisted.

On March 25, 2026, we received notice from NYSE Regulation that we were not in compliance with Sections 1003(a)(i), 1003(a)(ii) and 1003(a)(iii) of the NYSE American Company Guide, based on our reported stockholders' deficit of $(1.3) million as of December 31, 2025 and our losses from continuing operations and/or net losses in our five most recent fiscal years. On June 10, 2026, NYSE Regulation accepted our compliance plan and granted a plan period through September 25, 2027. We continue to report a capital deficiency. If we do not make progress consistent with the plan or regain compliance by the end of the plan period, the Exchange may commence delisting proceedings. Delisting would likely reduce the liquidity and market price of our Common Stock, impair our ability to raise capital.

The low market price of our Common Stock limits our ability to raise capital under our at-the-market program, and sales under that program are substantially dilutive.

Our Common Stock has traded at prices below $0.50 per share during the second quarter of 2026 and at lower prices thereafter. Because we are subject to the limitations of General Instruction I.B.6 of Form S-3, the aggregate amount we may sell under our shelf registration statement in any 12-month period is limited by reference to our public float, and the low price of our Common Stock means we must issue a large number of shares to raise a modest amount of capital. During the second quarter we sold 793,005 shares for net proceeds of approximately $0.3 million, and from July 1, 2026 through August 12, 2026 we sold an additional 8,902,611 shares for net proceeds of approximately $2.4 million. Continued sales under the program will be substantially dilutive to existing stockholders and may place further downward pressure on the market price of our Common Stock, which in turn further reduces the capital available to us under the program. In addition, our low share price may itself become the subject of continued listing concerns under Section 1003(f)(v) of the Company Guide, which could require us to effect a reverse stock split to maintain our listing.

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

On May 13, 2026, in connection with entering into the Line of Credit Agreement with Mandragola and as additional consideration for Mandragola making the Credit Line available, we issued to Mandragola a five-year warrant to purchase up to 2,000,000 shares of Common Stock at an exercise price of $12.00 per share, with a cashless exercise feature. The shares issuable upon exercise of the warrant are subject to obtaining stockholder approval under the applicable rules of the NYSE American. The issuance of the warrant was made in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering, to a single sophisticated investor that represented that it was acquiring the securities for investment purposes and not with a view to distribution, and no general solicitation or advertising was used in connection with the issuance.

The issuances of 1,300,000 shares of Common Stock to Water IO on April 10, 2026, of 923,000 shares of Common Stock and pre-funded warrants for 923,000 shares and a five-year warrant for 3,692,000 shares to Mandragola on April 13, 2026, and of 1,013,637 Conversion Shares on June 2, 2026 (all of which were cancelled on July 10, 2026), each of which was made in reliance upon the exemption provided by Section 4(a)(2) of the Securities Act, were previously reported in our Current Reports on Form 8-K filed April 10, 2026, April 13, 2026 and June 5, 2026, respectively.

Use of Proceeds. There has been no material change in the planned use of proceeds from our public offerings from that described in the applicable prospectuses and prospectus supplements filed with the SEC. Net proceeds from sales under our at-the-market program are used for working capital and general corporate purposes.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended June 30, 2026, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Availability of Information

BiomX’s website address is www.biomx.com. Investors and others should note that the Company announces material information to its investors using SEC filings, press releases, its investor relations website, public conference calls, webcasts and certain social media channels. The Company uses these channels to communicate with investors, customers and the public about the Company, its products and other issues and for complying with its disclosure obligations under Regulation FD. The information on, or that may be accessed through, BiomX’s website is not incorporated by reference into this Quarterly Report on Form 10-Q and should not be considered a part of this Quarterly Report on Form 10-Q.

ITEM 6. EXHIBITS

No.	Description of Exhibit
3.1	Composite Copy of Amended and Restated Certificate of Incorporation of the Company, as amended to date (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed by the Company on November 14, 2024).
3.2	Amended and Restated Bylaws of the Company, as amended on April 11, 2024 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company on April 15, 2024).
10.1	Line of Credit Agreement, dated May 13, 2026, between the Company and Mandragola Ltd. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company on June 5, 2026).
10.2	Form of Convertible Promissory Note issued under the Line of Credit Agreement (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed by the Company on June 5, 2026).
10.3	Warrant to Purchase Common Stock, dated May 13, 2026, issued to Mandragola Ltd. (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed by the Company on June 5, 2026).
10.4†	BiomX Inc. 2026 Equity Incentive Plan, as amended (Incorporated by reference to Appendices A and B to the Company's Definitive Proxy Statement on Schedule 14A filed by the Company on June 8, 2026).
10.5†	Consulting Agreement, dated May 20, 2026, between the Company and Roy Rousso (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company on May 28, 2026).
10.6*	Assignment and Settlement Agreement, dated as of May 21, 2026, between the Company and Mandragola Ltd.
10.7	Stock Purchase Agreement, dated April 10, 2026, between the Company and Water IO Ltd. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company on April 10, 2026).
10.8	Stock Purchase & Assignment Agreement, dated April 13, 2026, between the Company and Mandragola Ltd. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company on April 13, 2026).
10.9	Amendment No. 1 and Waiver to Promissory Note, dated as of July 24, 2026, between the Company and Water IO Ltd. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company on July 28, 2026).
10.10	Share Purchase and Option Agreement, dated August 5, 2026, between the Company and Mayers Ventures LLC (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company on August 11, 2026).
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a).
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a).
32**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

† Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

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

BIOMX INC.

Date: **August 19, 2026**

By: /s/ Michael Oster
Name: Michael Oster
Title: Chief Executive Officer (Principal Executive Officer)

Date: **August 19, 2026**

By: /s/ David Rokach
Name: David Rokach
Title: Chief Financial Officer (Principal Financial Officer and
Principal Accounting Officer)

Exhibit 10.6

ASSIGNMENT AND SETTLEMENT AGREEMENT

May 21, 2026

This Assignment and Settlement Agreement (this “Agreement”) is entered into as of May 21, 2026 (the “Effective Date”), by and between BiomX Inc., a Delaware corporation (“BiomX”), and Mandragola Ltd., a company organized under the laws of the State of Israel (“Mandragola” and, together with BiomX, the “Parties”).

RECITALS

WHEREAS, in connection with BiomX’s acquisition of a 60% interest in Dr. Frucht Systems Ltd. from Mandragola, BiomX has issued to Mandragola an unsecured convertible promissory note in the original principal amount of $3,000,000 (the “Note”);

WHEREAS, on December 26, 2025, BiomX issued to Pyu Pyu Capital, LLC (“Pyu Pyu”) a warrant to purchase up to 3,300,000 shares of BiomX common stock at an exercise price of $2.00 per share (the “Warrant”), which Warrant was amended on March 13, 2026 to reduce the exercise price to $1.00 per share;

WHEREAS, in March 2026, Pyu Pyu assigned all or a portion of the Warrant to certain assignees, and such assignees thereafter exercised the assigned Warrant for cash at the $1.00 per share exercise price, as a result of which an aggregate of $3,300,000 became due and owing to BiomX, as reflected in BiomX’s books and records (the “Warrant Exercise Receivable”);

WHEREAS, in April 2026, in connection with and concurrently with Mandragola’s agreement to make available to BiomX a line of credit of up to $2,000,000 (as previously disclosed in the Company’s Annual Report on Form 10-K/A) (the “Line of Credit”), the Parties agreed that BiomX would assign the Warrant Exercise Receivable to Mandragola in consideration for the satisfaction by offset of the principal balance of the Note, on the terms set forth in this Agreement; and

WHEREAS, the Parties now wish to formally document their agreement effective as of the Effective Date.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Assignment.** Effective as of the Effective Date, BiomX hereby irrevocably assigns, transfers, and conveys to Mandragola all of BiomX’s right, title, and interest in and to the Warrant Exercise Receivable, in the aggregate amount of $3,300,000, together with all rights to collect and enforce payment thereof. Mandragola hereby accepts such assignment and assumes all rights, and all collection risk, associated with the Warrant Exercise Receivable.

2. **Settlement of the Note.** In full consideration for the assignment described in Section 1, BiomX and Mandragola agree that the Note, including all outstanding principal and any accrued interest thereon, is hereby deemed satisfied in full by offset against the Warrant Exercise Receivable. The Note itself is not cancelled and remains outstanding, and the Parties may agree to make use of the Note in the future. The Parties acknowledge that the Warrant Exercise Receivable is applied against the Note only to the extent of the $3,000,000 face amount of the Note, and that the remaining $300,000 of the Warrant Exercise Receivable (the “Excess Amount”) is owed by Mandragola to BiomX. The Excess Amount shall not be payable in cash and shall instead be offset, dollar for dollar, against amounts advanced or otherwise made available to BiomX by Mandragola under the Line of Credit, until the Excess Amount has been applied in full.

3. **Mechanics; No Exchange of Funds.** The Parties agree that the transactions described in Sections 1 and 2 shall be effected entirely by assignment and offset, without any transfer of cash between the Parties. The Excess Amount shall likewise be satisfied solely by offset against the Line of Credit as provided in Section 2, and not by payment in cash.

4. **Representations of BiomX.** BiomX represents and warrants that it is the sole owner of the Warrant Exercise Receivable, free and clear of any lien, pledge, assignment, or other encumbrance, and has full right, power, and authority to assign the Warrant Exercise Receivable as set forth herein.

5. **Representations of Mandragola.** Mandragola represents and warrants that it has full right, power, and authority to accept the assignment of the Warrant Exercise Receivable and to enter into and perform this Agreement.

6. **Mutual Release.** Effective upon the assignment and settlement described in Sections 1 and 2, (a) BiomX releases and forever discharges Mandragola from any and all claims, liabilities, and obligations arising under or relating to the Note, and (b) Mandragola releases and forever discharges BiomX from any and all claims, liabilities, and obligations arising under or relating to the Warrant Exercise Receivable, in each case other than the obligations of the Parties under this Agreement and the continuing terms of the Note as described in Section 2.

7. **Further Assurances.** Each Party shall execute and deliver such further instruments and take such further actions as may be reasonably necessary to give effect to this Agreement, including notation in the books and records of each Party of the satisfaction by offset of the principal balance of the Note, notice to the obligors of the Warrant Exercise Receivable of the assignment effected hereby, and updating the books and records of each Party accordingly.

8. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to its conflicts of law principles.

9. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement between the Parties with respect to its subject matter and supersedes all prior agreements and understandings, whether written or oral, relating thereto. This Agreement may be amended only by a written instrument signed by both Parties.

10. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Delivery by electronic transmission shall be effective as delivery of a manually executed counterpart.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

BIOMX INC.		**MANDRAGOLA LTD.**	
By:	/s/ Michael Oster	By:	/s/ Gur Aryeh Segal
Name:	Michael Oster	Name:	Gur Aryeh Segal
Title:	Chief Executive Officer	Title:	Director

Exhibit 31.1

CERTIFICATION
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Michael Oster, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BiomX Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 19, 2026

/s/ Michael Oster
Michael Oster
Chief Executive Officer
(Principal executive officer)

Exhibit 31.2

CERTIFICATION
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, David Rokach, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BiomX Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 19, 2026

/s/ David Rokach
David Rokach
Chief Financial Officer
(Principal financial officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of BiomX Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2026 as filed with the Securities and Exchange Commission (the "Quarterly Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, that, to his or her knowledge:

1. The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 19, 2026	/s/ Michael Oster Michael Oster Chief Executive Officer (Principal executive officer)
Date: August 19, 2026	/s/ David Rokach David Rokach Chief Financial Officer (Principal financial officer)