

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

FORM 8-K/A
(Amendment No. 1)

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

Date of Report (Date of earliest event reported): August 5, 2021

Ondas Holdings Inc.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation)	001-39761 (Commission File Number)	47-2615102 (IRS Employer Identification No.)
61 Old South Road, #495 Nantucket, MA (Address of principal executive offices)		02554 (Zip Code)
	(888) 350-9994 (Registrant's telephone number, including area code)	

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	ONDS	The Nasdaq Stock Market LLC

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

Emerging growth company

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

Item 2.01. Completion of Acquisition or Disposition of Assets.

As previously disclosed on May 17, 2021, Ondas Holdings Inc. (the "Company" or "Ondas") entered into an Agreement and Plan of Merger (the "Agreement") with Drone Merger Sub I Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company ("Merger Sub I"), Drone Merger Sub II Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company ("Merger Sub II"), American Robotics, Inc., a Delaware corporation ("American Robotics"), and Reese Mozer, solely in his capacity as the representative of American Robotics' Stockholders (as defined in the Agreement).

On August 5, 2021 (the "Closing Date"), the Company consummated the previously announced Mergers (as defined below). As contemplated by the Agreement and as described in the Company's definitive proxy statement filed with the Securities and Exchange Commission ("SEC") on July 6, 2021, following a Special Meeting of Stockholders of Ondas held on August 5, 2021 (the "Special Meeting"), American Robotics merged with and into Merger Sub I ("Merger I"), with American Robotics continuing as the surviving entity, and American Robotics then subsequently and immediately merged with and into Merger Sub II ("Merger II" and, together with Merger I, the "Mergers"), with Merger Sub II continuing as the surviving entity and as a direct wholly owned subsidiary of the Company. Simultaneously with Merger II, Merger Sub II was renamed American Robotics, Inc.

Pursuant to the Agreement, American Robotics stockholders received (i) cash consideration in an amount equal to \$7,500,000, less certain indebtedness, transaction expenses and other expense amounts as described in the Agreement; (ii) 6,750,000 shares of the Company's common stock (inclusive of 26 fractional shares paid in cash as set forth in the Agreement); (iii) warrants exercisable for 1,875,000 shares of the Company's common stock (the "Warrants") (inclusive of 24 fractional shares paid in cash and the equivalent of Warrants for 309,320 shares representing the value of options exercisable for 211,038 shares issued under the Company's incentive stock plan and reducing the aggregate amount of Warrants as set forth in the Agreement); and (iv) the cash release from the PPP Loan Escrow Amount (as defined in the Agreement). Each of the Warrants entitle the holder to purchase a number of shares of the Company's common stock at an exercise price of \$7.89. Each of the Warrants shall be exercisable in three equal annual installments commencing on the one year anniversary of the Closing Date and shall have a term of ten years.

The foregoing descriptions of the Agreement and Warrants do not purport to be complete and are qualified in their entirety by reference to the full text of the Agreement and Form of Warrant, which are attached hereto as Exhibit 2.1 and Exhibit 4.1, respectively, and incorporated herein by reference.

As previously disclosed, in connection with the Mergers, on May 17, 2021, the Company entered into a lock-up and registration rights agreement, by and among the Company and the directors and officers of American Robotics (the "Registration Rights Agreement"). Pursuant to the Registration Rights Agreement (i) the Company agreed to file a resale registration statement for the Registrable Securities (as defined in the Registration Rights Agreement) no later than 90 days following the closing of the Mergers, and to use commercially reasonable efforts to cause it to become effective as promptly as practicable following such filing, (ii) the directors and officers and other American Robotics stockholders who sign a joinder to such agreement were granted certain piggyback registration rights with respect to registration statements filed subsequent to the closing of the Mergers, and (iii) the directors and officers of American Robotics agreed, subject to certain customary exceptions, not to sell, transfer or dispose of any Company common stock for a period of 180 days from the closing of the Mergers. In connection with the Mergers, the stockholders of American Robotics entered into a Joinder to Lock-Up and Registration Rights Agreement.

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The foregoing descriptions of the Registration Rights Agreement and Joinder to Lock-Up and Registration Rights Agreement do not purport to be complete and are qualified in their entirety to the full text of the Registration Rights Agreement and Form of Joinder to Lock-Up and Registration Rights Agreement, which are attached hereto as Exhibit 10.1 and Exhibit 10.2, respectively, and incorporated herein by reference.

Also on the Closing Date, the Company entered into employment agreements and issued 1,375,000 restricted stock units under the Company's incentive stock plan to key members of American Robotics' management.

Item 3.02. Unregistered Sales of Equity Securities.

The disclosure included in Item 2.01 of this Current Report on Form 8-K is incorporated herein by reference. The issuances of shares of the Company's common stock and the Warrants (including the underlying common stock) in Item 2.01 were not registered under the Securities Act of 1933, as amended (the "Securities Act"), in accordance with Section 4(a)(2) and Regulation D, Rule 506 thereunder, as transactions by an issuer not involving a public offering.

Item 5.07. Submission of Matters to a Vote of Security Holders.

The following matters were voted upon at the Special Meeting. Each stockholder of the Company's common stock was entitled to one vote on each matter properly presented at the Special Meeting for each share of common stock owned by that stockholder on the record date.

Proposal 1 – A proposal to approve the issuance of shares of Ondas common stock, including shares of common stock underlying the Warrants, in connection with the acquisition of American Robotics, Inc.

Votes For	Votes Against	Abstain
21,684,783	56,352	5,312

Proposal 2 – A proposal to approve an adjournment of the Special Meeting, if necessary, to solicit additional proxies in favor of the foregoing proposal.

Votes For	Votes Against	Abstain
21,571,607	169,185	5,655

There were no broker non-votes on these proposals.

Item 8.01. Other Events.

The audited financial statements of American Robotics for the years ended December 31, 2020 and December 31, 2019, the unaudited financial statements of American Robotics for the three months ended March 31, 2021 and March 31, 2020, and the unaudited pro forma condensed combined financial statements (and related notes) of the Company as of and for the three months ended March 31, 2021 and the year ended December 31, 2020 are included as Exhibits 99.1, 99.2 and 99.3, respectively, and incorporated herein by reference. The unaudited pro forma condensed combined financial statements are based on the Company's audited and unaudited interim historical consolidated financial statements and American Robotics' audited and unaudited interim historical financial statements as adjusted to give effect to the Company's acquisition of American Robotics. The unaudited pro forma condensed combined balance sheet as of March 31, 2021 gives effect to these transactions as if they occurred on March 31, 2021. The unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2021 and the twelve months ended December 31, 2020 give effect to these transactions as if they occurred on January 1, 2020.

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Also, (i) the unaudited financial statements of American Robotics for the three and six months ended June 30, 2021 and June 30, 2020, and (ii) the unaudited pro forma condensed combined financial statements (and related notes) of the Company as of and for the six months ended June 30, 2021 and the year ended December 31, 2020 are included as Exhibits 99.4 and 99.5, respectively, and incorporated herein by reference. The unaudited pro forma condensed combined financial statements are based on the Company's audited and unaudited interim historical consolidated financial statements and American Robotics' audited and unaudited interim historical financial statements as adjusted to give effect to the Company's acquisition of American Robotics. The unaudited pro forma condensed combined balance sheet as of June 30, 2021 gives effect to these transactions as if they occurred on June 30, 2021. The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2021 and the twelve months ended December 31, 2020 give effect to these transactions as if they occurred on January 1, 2020.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
2.1*	Agreement and Plan of Merger, dated as of May 17, 2021 (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on May 17, 2021).
4.1	Form of Warrant (incorporated herein by reference to Exhibit E to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on May 17, 2021).
10.1	Lock-Up and Registration Rights Agreement, dated May 17, 2021 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on May 17, 2021).
10.2	Form of Joinder to Lock-Up and Registration Rights Agreement (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on August 9, 2021).

23.1	Consent of Turner Stone & Company, L.L.P. (incorporated herein by reference to Exhibit 23.1 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on August 9, 2021).
99.1	The audited financial statements of American Robotics, Inc. for the years ended December 31, 2020 and December 31, 2019 (incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on May 27, 2021).
99.2	The unaudited financial statements of American Robotics, Inc. for the three months ended March 31, 2021 and March 31, 2020 (incorporated herein by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on May 27, 2021).
99.3	The unaudited pro forma condensed combined financial statements (and related notes) of Ondas Holdings Inc. as of and for the three months ended March 31, 2021 and December 31, 2020 (incorporated herein by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on May 27, 2021).
99.4	The unaudited financial statements of American Robotics, Inc. for the three and six months ended June 30, 2021 and June 30, 2020.
99.5	The unaudited pro forma condensed combined financial statements (and related notes) of Ondas Holdings Inc. as of and for the six months ended June 30, 2021 and December 31, 2020.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant hereby undertakes to furnish copies of any of the omitted schedules upon request by the SEC.

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 hereunto duly authorized.

ONDAS HOLDINGS INC.

Date: September 24, 2021

By: /s/ Eric A. Brock
Eric A. Brock
Chief Executive Officer



AMERICAN ROBOTICS, INC.
Financial Statements
June 30, 2021 and 2020

American Robotics, Inc.
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June 30, 2021 and 2020

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American Robotics, Inc.
Balance Sheets

	June 30, 2021 (Unaudited)	December 31, 2020 (Unaudited)
Assets		
Current assets		
Cash and cash equivalents	\$ 1,385,588	\$ 1,056,290
Accounts receivable	5,643	5,643
Total current assets	1,391,231	1,061,933
Property and equipment, net	152,609	69,683
Security deposit	24,166	24,166
Right-of-Use Asset	459,060	543,804
Total assets	\$ 2,027,066	\$ 1,699,586
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	\$ 145,618	\$ 330,004
Deferred revenue	77,500	77,500
Accrued interest	262,823	172,574
Current portion of operating lease liability	175,710	170,361
Working Capital Loan	2,000,000	-
Total current liabilities	2,661,651	750,439
Long-term liabilities		
Operating lease liability, net of current portion	300,708	390,215
Convertible notes	2,250,000	1,950,000
Convertible notes, related party	525,000	525,000
Total long-term liabilities	3,075,708	2,865,215
Commitments & contingencies (Note 4)	-	-
Stockholders' deficit		
Common stock, \$0.0001 par value, 10,000,000 shares authorized, 2,155,965 and 1,962,632 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	215	215
Additional paid-in capital	7,477,030	7,444,426
Subscription receivable	(2,541)	(2,541)
Accumulated deficit	(11,184,997)	(9,358,168)
Total stockholders' deficit	(3,710,293)	(1,916,068)
Total liabilities and stockholders' deficit	\$ 2,027,066	\$ 1,699,586

The Notes to Financial Statements are an integral part of these statements.

American Robotics, Inc.
 Statements of Operations
 Periods Ending June 30, 2021 and 2020

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Revenue	\$ -	\$ 8,100	\$ 50,000	\$ 8,100
Operating expenses				
General and administrative expenses	864,428	500,558	1,481,877	1,084,078
Research and development	378,257	311,986	523,371	431,571
Selling and marketing	6,520	3,372	17,020	6,000
	<u>(1,249,205)</u>	<u>(815,916)</u>	<u>(2,022,268)</u>	<u>(1,521,649)</u>
Loss from operations	<u>(1,249,205)</u>	<u>(807,816)</u>	<u>(1,972,268)</u>	<u>(1,513,549)</u>
Other income (expense)				
Grant income		257,029	235,846	257,029
Interest expense	(49,824)	(30,119)	(90,407)	(59,374)
Interest income	-	2	-	24
	<u>(49,824)</u>	<u>226,912</u>	<u>145,439</u>	<u>197,679</u>
Net loss	\$ <u>(1,299,029)</u>	\$ <u>(580,904)</u>	\$ <u>(1,826,829)</u>	\$ <u>(1,315,870)</u>

The Notes to Financial Statements are an integral part of these statements.

American Robotics, Inc.
 Statements of Changes in Stockholders' Deficit
 Periods Ending June 30, 2021 and 2020 (Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Subscription Receivable	Total Stockholders' Deficit
	Shares	Amount				
Balance, January 1, 2020	1,962,632	\$ 196	\$ 5,775,116	\$ (6,910,516)	\$ (2,541)	\$ (1,137,745)
Stock-based compensation	-	-	32,598	-	-	32,598
Exercise of stock options	-	-	-	-	-	-
Issuance of common stock	50,000	5	499,995	-	-	500,000
Net loss	-	-	-	(1,315,870)	-	(1,315,870)
Balance, June 30, 2020	<u>2,012,632</u>	<u>201</u>	<u>6,307,709</u>	<u>(8,226,386)</u>	<u>(2,541)</u>	<u>(1,921,017)</u>
Balance, December 31, 2020	2,155,965	215	7,444,426	(9,358,168)	(2,541)	(1,916,068)
Stock-based compensation	-	-	17,089	-	-	17,089
Net loss	-	-	-	(527,800)	-	(527,800)
Balance, March 31, 2021	<u>2,155,965</u>	<u>\$ 215</u>	<u>\$ 7,461,515</u>	<u>\$ (9,885,968)</u>	<u>(2,541)</u>	<u>\$ (2,426,779)</u>
Stock-based compensation	-	-	15,515	-	-	15,515
Net loss	-	-	-	(1,299,029)	-	(1,299,029)
Balance, June 30, 2021	<u>2,155,965</u>	<u>\$ 215</u>	<u>\$ 7,477,030</u>	<u>\$ (11,184,997)</u>	<u>(2,541)</u>	<u>\$ (3,710,293)</u>

The Notes to Financial Statements are an integral part of these statements.

American Robotics, Inc.
 Statements of Cash Flows
 Periods Six Months Ended June 30, 2021 and 2020

	For the Six Months Ended	
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Operating Activities		
Net loss	\$ (1,826,829)	\$ (1,315,870)
Adjustments to net loss:		
Depreciation expense	7,074	7,074

Stock-based compensation	32,604	32,598
Difference in ROU and lease liability change	589	3,265
Changes in operating assets/liabilities:		
Accounts receivable, net	-	-
Security deposits	-	-
Accounts payable	(184,388)	113,444
Accrued expenses and interest	90,248	59,374
Deferred revenue	-	77,500
Net cash used in operating activities	<u>(1,880,702)</u>	<u>(1,022,615)</u>
Investing Activities		
Purchase of property and equipment	(90,000)	(6,770)
Net cash provided by investing activities	<u>(90,000)</u>	<u>(6,770)</u>
Financing Activities		
Proceeds from Working Capital Loan	2,000,000	-
Proceeds from issuance of common stock	-	500,000
Proceeds from issuance of convertible notes	300,000	300,000
Net cash provided by financing activities	<u>2,300,000</u>	<u>800,000</u>
Net change in cash and cash equivalents	329,298	(229,385)
Cash and Cash Equivalents		
Beginning of Period	1,056,290	854,364
End of Period	<u>\$ 1,385,588</u>	<u>\$ 624,979</u>
Supplemental Information:		
Interest Paid	\$ -	\$ -
Income Taxes	\$ -	\$ -

The Notes to the Financial Statements are an integral part of these statements

American Robotics, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Nature of Business

American Robotics, Inc. (the "Company") was incorporated on October 13, 2016 in Delaware, and is a developer of specialized drone technology. The Company manufactures an autonomous remote sensing drone solution consisting of a custom-designed drone and proprietary base station, the American Robotics Scout system, for use primarily in the agriculture industry. The Company was principally in the research and development phase and has commenced sales as it continues to build and enhance its product as it brings it to market.

Going Concern Uncertainty

The Company's financial statements have been prepared assuming the Company will continue as a going concern. The Company has stockholders' deficit of approximately \$3.7 million as of June 30, 2021 and incurred a loss from operations of approximately \$1.8 million and used approximately \$0.3 million in cash for operating activities during the period ended June 30, 2021 raising substantial doubt about the Company's ability to continue as a going concern. Management's plans in response to this are to start commercial drone sales as well as reducing costs as needed and working towards raising additional capital through issuance of common stock or other financing to obtain the necessary funding and sustain operations.

The Company's ability to fund operations and capital expenditures in the future will be dependent on its ability to achieve its plan objectives. However, there can be no assurance that the Company will be able to achieve its strategic initiatives or obtain additional funding in the future. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. These accounting policies have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The accompanying financial statements of the Company are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents

The Company considers cash equivalents to be only those investments which are highly liquid, readily convertible to cash, and have a maturity date of ninety days or less from the date of purchase. The Company considers balances held in money market accounts to be cash equivalents. The Company maintains its cash in bank deposit accounts which at times, may exceed federally insured limits. The Company has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of certain assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include depreciation and stock-based compensation. Actual results could differ from those amounts.

American Robotics, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Depreciation expense is computed on the straight-line method based on the assets' estimated useful lives as follows:

Description	Estimated Life (Years)
Leasehold improvements	6-15
Furniture and fixtures	7
Computer equipment	5

Income Taxes

Income taxes are accounted for in accordance with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 740, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. The differences are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized.

The pronouncement dealing with uncertain tax positions clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The pronouncement also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure and transition. The Company had no uncertain tax positions for the years ended December 31, 2020 and 2019, respectively. Further, there were no tax related interest or penalties included in the financial statements.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). This new standard replaces all previous accounting guidance on this topic and eliminates all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine how revenue is recognized. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In doing so, companies need to use more judgment and make more estimates than under prior guidance. Judgments include identifying performance obligations in the contract, estimating the amount of consideration to include in the transaction price, and allocating the transaction price to each performance obligation.

American Robotics, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Company performs the following steps: (i) identify contracts with customers; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Topic 606. The Company's performance obligations include deployment of its Scout aerial drone system to the customer and recurring subscription license to the Company's ScoutBase and ScoutView drone support products.

The Company recognizes revenue upon deployment and delivery of its Scout aerial drone system as the customer then has access to the product. Upon delivery, the Company has an ongoing performance obligation to provide a subscription license to the customer during the life of the contract. Subscription license revenue is recognized ratably over the term of the applicable contract once the product has been delivered. The Company has begun delivery and performance on customer contracts in the second quarter of 2021.

Subscription Revenue

The Company leases the use of its Scout aerial drone system which includes access to its ScoutBase and ScoutView drone support products, pursuant to contractual obligations. The Company recognizes revenue ratably over the life of the contract as the services are transferred to the customer. Subscription revenue amounted to \$0 and \$0 for the periods ended June 30, 2021 and 2020, respectively.

Deferred Revenue

If a customer pays consideration before the Company transfers goods or services, the amount of consideration is presented as deferred revenue. The amount of deferred revenue will increase or decrease based upon the timing of invoices and collections and recognition of revenues. As of June 30, 2021 and December 31, 2020, deferred revenue amounted to \$77,500.

General and Administrative

General and administrative expenses primarily include salaries and wages, professional services, travel, meals and entertainment, and rent expense.

Selling and Marketing

Selling and marketing expense is primarily made up of trade show fees, advertising costs, and promotional fees. The Company expenses advertising costs as incurred. For the periods ended June 30, 2021 and, December 31, 2020, advertising expense charged to operations totaled \$17,020 and \$6,000, respectively, and is included in selling and marketing expense in the statements of operations.

Research and Development

Costs incurred for research and product development are expensed as incurred. Research and development costs consist primarily of engineering services and parts and materials during the product development phase. The Company recognizes research and development expenses in the period in which it becomes obligated to incur such costs.

American Robotics, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Stock-Based Compensation

Stock-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense, ratably over the vesting period of the award. In addition, the pronouncement dealing with stock-based compensation requires additional accounting related to the income tax effects and disclosures regarding the cash flow effects resulting from stock-based payment arrangements. Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based awards, volatility, dividend yield, and risk-free rates.

The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgement. As a result, if factors change and the Company uses different assumptions, its stock-based compensation could be materially different in the future.

Pending Accounting Pronouncement

There were various other accounting standards and interpretations issued recently, none of which are expected to have a material impact on the Company's financial position, operations, or cash flows. Management has evaluated these new pronouncements through August 27, 2021.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2021 and December 31, 2020:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Computer equipment	\$ 20,347	\$ 20,347
Leasehold improvements	7,522	7,522
Furniture and fixtures	165,898	75,898
	<u>193,767</u>	<u>103,767</u>
Accumulated depreciation	(41,158)	(34,084)
	<u>\$ 152,609</u>	<u>\$ 69,683</u>

Depreciation expense charged to operations for the periods ended June 30, 2021 and 2020 amounted to \$7,074 and \$7,074, respectively.

4. COMMITMENTS

In March 2018, the Company entered into a 70-month lease for 62,621 square feet of office space for the Company's corporate office in Marlborough, Massachusetts. Subsequently, in June 2018 this lease was amended to include an additional 10,450 square feet of office space. A right-of-use asset and operating lease liability has been recorded with the adoption of Topic 842, pertaining to this office lease. As this lease does not provide an implicit interest rate, the Company calculated a 3% interest rate based on the annual increase in rent to determine the lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. Operating lease expense was \$42,620 and \$37,589 for the periods ended June 30, 2021 and 2020, respectively.

American Robotics, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

The future minimum lease payments relating to these commitments are as follows:

2021	\$ 139,220
2022	190,401
2023	196,117
2024	16,624
	<u>\$ 542,362</u>

Rent expense for the periods ended June 30, 2021 and 2020 was \$72,362 and \$9,082, respectively.

The Company has entered into an agreement with an unrelated third party to assist in the development of its product. In connection with this agreement, the Company has agreed to pay \$1,000,000 for the development assistance, of which \$800,000 was incurred and paid in 2019, with the remaining \$200,000 incurred and paid in 2020. Such

amounts are included in research and development expenses on the statements of operations.

Additionally, the Company has agreed to make royalty installment payments to such party totaling \$1,000,000 commencing upon the first sale of the product and continuing over a period of 3 1/2 years. The installment payments are to be made in 5 equal amounts of \$200,000 at certain defined intervals as follows: date of the first sale, 6 months, 18 months, 30 months, 42 months. As of June 30, 2021, no sales of this product have occurred.

5. CONVERTIBLE NOTES

During June 30, 2021 and 2020, the Company issued convertible notes totaling \$50,000 and \$0, respectively, bearing interest at 6% per annum. As of June 30, 2021 and December 31, 2020, the convertible notes payable balance consisted of principal outstanding of \$2,775,000 and \$2,475,000 and accrued interest of \$255,261 and \$172,574, respectively. Unless converted, these notes will automatically mature and be fully payable, including accrued interest, on dates ranging from January 31, 2023 to February 3, 2024.

In the event of a qualified financing, the outstanding principal and accrued interest will convert into Qualified Financing securities at a conversion price equal to 80% of the price per share of Qualified Financing Shares paid by other investors or in some cases the lesser of (i) the aforementioned conversion price or (ii) the price per share equal to the Target Valuation at the time of conversion as defined in the underlying agreement divided by the aggregate number of outstanding shares of the Company's common stock immediately prior to the initial close of the Qualified Financing. Qualified Financing securities consist of shares of the same class and series of stock issued to other investors in the Qualified Financing. A Qualified Financing is defined as an issuance of shares with immediately available proceeds of not less than \$5 million, of which not less than 50% is funded by a professional venture capital firm or strategic advisor.

In the event of a Significant Transaction as defined by the underlying agreements, all convertible notes shall be surrendered for shares of common stock of the Company for a conversion price per share equal to the Company's Target Valuation at the time of conversion as defined in the underlying agreement divided by the aggregate number of outstanding shares of the Company's common stock. A significant transaction is defined as the sale or disposition of all or substantially all of the Company's property or business or a merger or consolidation with another entity, whereby the stockholders of the Company prior to the merger or consolidation do not retain a 50% or greater ownership interest.

American Robotics, Inc. Notes to Financial Statements June 30, 2021 and 2020

If the notes are not converted into equity pursuant to a qualified financing or significant transaction defined above, the notes, at the option of the holder, may be converted into shares of common stock of the Company at maturity. The conversion price shall be equal to the Target Valuation at the time of conversion as defined in the underlying agreement divided by the aggregate number of outstanding shares of the Company's common stock immediately prior to conversion.

Convertible notes, as disclosed above, issued to related parties totaled \$50,000 and \$-0- during the periods ended June 30, 2021 and 2020, respectively.

6. STOCKHOLDERS' EQUITY

During the three months ended June 30, 2021 and 2020, no share issuance occurred.

7. STOCK-BASED COMPENSATION

The Company has a stock-based compensation plan (the "Plan") for certain employees and officers.

Option terms are expected to be 7.5 years, and the vesting terms vary depending on the option holder. As of June 30, 2021, the maximum number of shares available for issuance to participants under the Plan was 250,000.

The fair value of each option is estimated on the date of grant using the Black-Scholes option valuation model based on the assumptions noted in the table below. The expected terms of options represent the period that the Company's stock-based awards are expected to be outstanding.

The risk-free interest rate for periods related to the expected life of the options is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected volatility is based on volatilities noted by similar public companies. The expected dividend yield is zero, as the Company does not anticipate paying dividends in the near future.

Stock-based compensation expense recognized during the six months ended June 30, 2021 and 2020 was \$32,604 and \$32,598, respectively. As of June 30, 2021 and 2020, the total unrecognized stock-based compensation balance for unvested options was \$174,926 and \$243,134, respectively, which is expected to be recognized ratably through October 2025.

The following valuation assumptions were used to determine stock-based compensation for the three - month periods ended June 30, 2021 and 2020:

Expected term	7.5
Volatility	96%
Risk-free interest rate	0.87%
Dividend yield	-0-%

American Robotics, Inc. Notes to Financial Statements June 30, 2021 and 2020

The following table summarizes stock option activity for the three-month periods ended June 30, 2021 and 2020:

	Number of Options Outstanding	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value
Balance at December 31, 2019	172,349	\$ 3.62	\$ -
Options granted	-	\$ -	\$ -
Options exercised	-	\$ -	\$ -
Options cancelled or forfeited	(945)	\$ (3.56)	\$ -
Options expired	-	\$ -	\$ -
Balance at June 30, 2020	171,404	\$ 3.66	\$ -
Balance at December 31, 2020	174,803	\$ 4.37	\$ -
Options granted	-	\$ -	\$ -
Options exercised	(13,000)	\$ (3.56)	\$ -
Options forfeited	(17,500)	\$ (3.56)	\$ -
Options expired	-	\$ -	\$ -
Balance at June 30, 2021	<u>144,303</u>	<u>\$ 6.04</u>	<u>\$ -</u>

8. INCOME TAXES

The Company's estimated interim deferred income tax assets as of June 30, 2021 and 2020 are as follows:

	June 30, 2021	June 30, 2020
Deferred tax assets		
Net operating loss carryforwards	\$ 2,113,000	\$ 743,000
Temporary differences	-	-
	<u>2,113,000</u>	<u>743,000</u>
Valuation allowance	(2,113,000)	(743,000)
Total net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

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American Robotics, Inc. Notes to Financial Statements June 30, 2021 and 2020

Deferred tax assets result primarily from unutilized net operating losses, stock-based compensation, and fixed assets. As of June 30, 2021, the Company has approximately \$876,000 in federal net operating loss carryforwards available to offset future taxable income that will begin to expire in 2037 and approximately \$9,187,000 in federal net operating loss carryforwards available to offset future taxable income that have an indefinite life. In addition, the company has approximately \$9,008,000 in state loss carryforwards available to offset future income.

In assessing the realizability of the Company's deferred tax assets, management considers whether or not it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management's assessment is based upon the weight of available evidence, including cumulative losses since inception and expected future losses and as such, management does not believe it is more likely than not that the deferred tax assets will be realized. Accordingly, a full valuation allowance has been established and no deferred tax assets and related tax benefits have been recognized in the accompanying financial statements.

9. PAYMENT PROTECTION PROGRAM ("PPP") AND ECONOMIC INJURY DISASTER LOAN ("EIDL")

On April 21, 2020, the Company executed an unsecured promissory note (the "PPP loan") for \$247,029 through the PPP established under the Coronavirus Aid, Relief, and Economic Security Act, and administered by the United States Small Business Administration ("SBA"). The PPP loan is guaranteed by the SBA. The PPP loan may be forgiven, in whole or in part, if the Company was eligible for the PPP loan at the time of application, used the loan proceeds for eligible expenses within the defined 8 or 24-week period after the PPP loan was disbursed ("covered period"), and otherwise satisfied PPP requirements. The PPP loan was made through Silicon Valley Bank (the "Lender"), has a two-year term, bears interest at 1.00% per annum, and matures on April 21, 2022. If the PPP loan is not forgiven, monthly principal and interest payments are deferred until the end of the covered period.

The Company submitted the PPP loan forgiveness application on April 30, 2021 and the note was subsequently fully forgiven.

Similarly, on February 2, 2021, the Company executed a second promissory note under round two of the PPP program outlined in detail earlier. The second PPP loan was made through the same lender and has similar terms to the first-round note. The Company recognized \$235,846 of grant income related to this note and applied for forgiveness on July 29th. The second note was similarly forgiven in full.

The Company also received an economic injury disaster loan ("EIDL") grant of \$10,000 in May 2020. This grant is grouped as part of grant income on the statement of operations.

10. RISK AND UNCERTAINTIES

Management is currently evaluating the impact of the COVID-19 virus on its business operations. While it is reasonably possible that the virus could have a negative impact on the financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements.

11. RELATED PARTY TRANSACTIONS

As of June 30, 2021 and December 31, 2020, \$575,000 and \$525,000, respectively, of convertible notes were issued to immediate family members of the Company's CEO. These notes have the same terms as outlined in Note 5 to the financial statements.

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On April 22, 2021, the Company received a loan from Ondas Holdings Inc. in the aggregate amount of \$2.0 million. The note carries interest at a rate of 2% per annum. The principal and any accrued and unpaid interest shall be due on April 22, 2022. As of and for three and six months ended June 30, 2021, the Company recorded \$7,562 of interest payable and interest expense related to the note in the accompanying unaudited financials statements.

12. SUBSEQUENT EVENTS

The Company was acquired by Ondas Holdings Inc. on August 5, 2021.

The Company has evaluated subsequent events through August 27, 2021 date the financial statements were available to be issued and has determined that, with the exception of the matter noted above, there were no other events which occurred requiring disclosure in or adjustments to the financial statements.

Ondas Holdings Inc.
Notes to Unaudited Pro Forma
Condensed Combined Financial Statements

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On May 17, 2021, Ondas Holdings, Inc. (the “Company”) entered into a Plan of Merger and Equity Purchase Agreement (the “Agreement”) with Drone Merger Sub I Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company (“Merger Sub I”), Drone Merger Sub II Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company (“Merger Sub II”), American Robotics, Inc., a Delaware corporation (“American Robotics”), and Reese Mozer, solely in his capacity as the representative of American Robotics’ Stockholders (as defined in the Agreement).

On August 5, 2021 (the “Closing Date”), the Company consummated the Mergers (as defined below). As contemplated by the Agreement and as described in the Company’s definitive proxy statement filed with the Securities and Exchange Commission (“SEC”) on July 6, 2021, following a Special Meeting of Stockholders of Ondas held on August 5, 2021 (the “Special Meeting”), American Robotics merged with and into Merger Sub I (“Merger I”), with American Robotics continuing as the surviving entity, and American Robotics then subsequently and immediately merged with and into Merger Sub II (“Merger II”) and, together with Merger I, the “Mergers”), with Merger Sub II continuing as the surviving entity and as a direct wholly owned subsidiary of the Company. Simultaneously with Merger II, Merger Sub II was renamed American Robotics, Inc. American Robotics is a developer of specialized drone technology. American Robotics manufactures an autonomous remote sensing drone solution consisting of a custom-designed drone and proprietary base station, the American Robotics Scout system, for use primarily in the agriculture industry. American Robotics was principally in the research and development phase and has commenced sales as it continues to build and enhance its product as it brings it to market. In January 2021, American Robotics received approval from the Federal Aviation Administration (“FAA”) permitting American Robotics to sell its product commercially.

Pursuant to the Agreement, American Robotics stockholders received (i) cash consideration in an amount equal to \$7,500,000, less certain indebtedness, transaction expenses and other expense amounts as described in the Agreement; (ii) 6,750,000 shares of the Company’s common stock (inclusive of 26 fractional shares paid in cash as set forth in the Agreement); (iii) warrants exercisable for 1,875,000 shares of the Company’s common stock (the “Warrants”) (inclusive of 24 fractional shares paid in cash and the equivalent of Warrants for 309,320 shares representing the value of options exercisable for 211,038 shares issued under the Company’s incentive stock plan and reducing the aggregate amount of Warrants as set forth in the Agreement); and (iv) the cash release from the PPP Loan Escrow Amount (as defined in the Agreement). Each of the Warrants entitle the holder to purchase a number of shares of the Company’s common stock at an exercise price of \$7.89. Each of the Warrants shall be exercisable in three equal annual installments commencing on the one year anniversary of the Closing Date and shall have a term of ten years.

The following unaudited pro forma condensed combined financial statements are based on the Company’s audited and unaudited interim historical consolidated financial statements and American Robotics’ audited historical and unaudited interim financial statements as adjusted to give effect to the Company’s acquisition of American Robotics. The unaudited pro forma condensed combined balance sheet as of June 30, 2021 gives effect to these transactions as if they occurred on June 30, 2021. The unaudited pro forma condensed combined statements of operations for the twelve months ended December 31, 2020 and the six months ended June 30, 2021 give effect to these transactions as if they occurred on January 1, 2020.

The unaudited pro forma condensed combined financial statements should be read together with the Company’s audited historical financial statements, which are included in the Company’s most recent Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 8, 2021, and the most recent Quarterly Report on Form 10-Q, which was filed with the Securities and Exchange Commission on August 16, 2021, and American Robotics’ audited historical financial statements as of and for the year ended December 31, 2020, which were included in the Company’s Form 8-K that was filed with the Securities and Exchange Commission on May 27, 2021, and unaudited financial statements as of and for the three and six months ended June 30, 2021 included in this Form 8-K.

Ondas Holdings Inc.
Notes to Unaudited Pro Forma
Condensed Combined Financial Statements

The unaudited pro forma combined financial information is provided for informational purpose only and is not intended to represent or be indicative of the consolidated results of operations or financial position that the Company would have reported had the American Robotics transaction closed on the dates indicated and should not be taken as representative of our future consolidated results of operations or financial position.

The pro forma adjustments related to the Agreement are described in the notes to the unaudited pro forma combined financial information and principally include the following:

- Pro forma adjustment to eliminate the American Robotics liabilities and owners’ equity not acquired.
- Proforma adjustment to record the merger of the Company and American Robotics.

The adjustments to fair value and the other estimates reflected in the accompanying unaudited pro forma condensed consolidated financial statements may be materially different from those reflected in the combined company’s consolidated financial statements subsequent to the merger. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or results of operations of the combined companies. Reclassifications and adjustments may be required if changes to American Robotics’ financial presentation are needed to conform American Robotics’ accounting policies to the accounting policies of Ondas Holdings, Inc.

These unaudited pro forma condensed combined financial statements do not give effect to any anticipated synergies, operating efficiencies or cost savings that may be associated with the Agreement. These financial statements also do not include any integration costs the companies may incur related to the Transactions as part of combining the operations of the companies.

ONDAS HOLDINGS INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2021
(Unaudited)

	Ondas	American	Transaction Accounting	
				Pro Forma

	<u>Holdings Inc.</u>	<u>Robotics</u>	<u>Adjustments</u>	<u>Notes</u>	<u>Consolidated</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 58,550,105	\$ 1,385,588	\$ (7,500,278)	A	\$ 52,435,415
Accounts receivable, net	726,338	5,643	-		731,981
Inventory, net	1,146,718	-	-		1,146,718
Note receivable	2,000,000	-	(2,000,000)	B	-
Other current assets	1,064,958	-	-		1,064,958
Total current assets	<u>63,488,119</u>	<u>1,391,231</u>	<u>(9,500,278)</u>		<u>55,379,072</u>
Property and equipment, net	<u>185,241</u>	<u>152,609</u>	<u>-</u>		<u>337,850</u>
Other Assets:					
Intangible assets, net	292,716	-	40,986,000	C	41,278,716
Goodwill	-	-	24,976,504	C	24,976,504
Lease deposits	118,577	-	-		118,577
Deferred offering costs	-	-	-		-
Operating lease right of use assets	833,852	459,060	-		1,292,912
Other assets	-	24,166	-		24,166
Total other assets	<u>1,245,145</u>	<u>483,226</u>	<u>65,962,504</u>		<u>67,690,875</u>
Total assets	<u>\$ 64,918,505</u>	<u>\$ 2,027,066</u>	<u>\$ 56,462,226</u>		<u>\$ 123,407,797</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT					
Current Liabilities:					
Accounts payable	\$ 1,871,858	\$ 145,618	\$ -		\$ 2,017,476
Operating lease liabilities	476,487	175,710	-		652,197
Accrued transaction costs	-	-	1,560,000	D	1,560,000
Working capital loan	-	2,000,000	(2,000,000)	B	-
Accrued expenses and other current liabilities	2,073,735	262,823	(262,823)	B, E	2,073,735
Deferred revenue	24,692	77,500	-		102,192
Working capital loan	-	-	-		-
Total current liabilities	<u>4,446,772</u>	<u>2,661,651</u>	<u>(702,823)</u>		<u>6,405,600</u>
Long-Term Liabilities:					
Notes payable	300,000	-	-		300,000
Accrued interest	36,972	-	-		36,972
Operating lease liabilities - net of current portion	357,365	300,708	-		658,073
Convertible notes	-	2,250,000	(2,250,000)	E	-
Convertible notes - related party	-	525,000	(525,000)	E	-
Total long-term liabilities	<u>694,337</u>	<u>3,075,708</u>	<u>(2,775,000)</u>		<u>995,045</u>
Total liabilities	<u>5,141,109</u>	<u>5,737,359</u>	<u>(3,477,823)</u>		<u>7,400,645</u>
Stockholders' Equity (Deficit):					
Common stock - par value \$0.0001	3,404	-	744	F	4,148
Common stock warrants and options	-	-	5,274,958	F	5,274,958
Owners' Equity	-	(3,710,293)	3,710,293	G	-
Additional paid in capital	130,983,424	-	57,862,804	F	188,846,228
Accumulated deficit	(71,209,432)	-	(6,908,750)	D, F	(78,118,182)
Total stockholders' equity (deficit)	<u>59,777,396</u>	<u>(3,710,293)</u>	<u>59,940,049</u>		<u>116,007,152</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 64,918,505</u>	<u>\$ 2,027,066</u>	<u>\$ 56,462,226</u>		<u>\$ 123,407,797</u>

ONDAS HOLDINGS INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2021
(Unaudited)

	<u>Ondas Holdings Inc.</u>	<u>American Robotics</u>	<u>Transaction Accounting Adjustments</u>	<u>Notes</u>	<u>Pro Forma Consolidated</u>
Revenues, net	\$ 2,052,196	\$ 50,000	\$ -		\$ 2,102,196
Cost of goods sold	1,136,025	-	-		1,136,025
Gross profit	<u>916,171</u>	<u>50,000</u>	<u>-</u>		<u>966,171</u>
Operating expenses:					
General and administration	4,904,124	1,481,877	1,750,313	E, F	8,136,314
Sales and marketing	383,521	17,020	-		400,541
Research and development	1,648,219	523,371	-		2,171,590
Amortization	-	-	1,366,200	C	1,366,200
Total operating expenses	<u>6,935,864</u>	<u>2,022,268</u>	<u>3,116,513</u>		<u>12,074,645</u>
Operating loss	<u>(6,019,693)</u>	<u>(1,972,268)</u>	<u>(3,116,513)</u>		<u>(11,108,474)</u>

Other income (expense)				
Other income (expense)	618,781	-	-	618,781
Grant income	-	235,846	-	235,846
Transaction expenses	-	-	(1,560,000)	D (1,560,000)
Interest income	7,626	-	-	7,626
Interest expense	(566,600)	(90,407)	90,407	B, E (566,600)
Total other income (expense)	<u>59,807</u>	<u>145,439</u>	<u>(1,469,593)</u>	<u>(1,264,347)</u>
Loss before provision for income taxes	(5,959,886)	(1,826,829)	(4,586,106)	(12,372,821)
Provision for income taxes	-	-	-	-
Net loss	<u>(5,959,886)</u>	<u>(1,826,829)</u>	<u>\$ (4,586,106)</u>	<u>\$ (12,372,821)</u>
Net loss per share - basic and diluted	<u>\$ (0.21)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.33)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>28,083,888</u>	<u>-</u>	<u>9,003,180</u>	F <u>37,087,068</u>

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ONDAS HOLDINGS INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Year Ended December 31, 2020

	Ondas Holdings Inc.	American Robotics	Transaction Accounting Adjustments	Notes	Pro Forma Consolidated
Revenues, net	\$ 2,163,719	\$ 8,100	\$ -		\$ 2,171,819
Cost of goods sold	1,236,051	-	-		1,236,051
Gross profit	<u>927,668</u>	<u>8,100</u>	<u>-</u>		<u>935,768</u>
Operating expenses:					
General and administration	7,641,234	1,916,171	3,496,504	E, F	13,053,909
Sales and marketing	1,223,767	126,862	-		1,350,629
Research and development	3,586,553	544,537	-		4,131,090
Amortization	-	-	2,732,400	C	2,732,400
Total operating expense	<u>12,451,554</u>	<u>2,587,570</u>	<u>6,228,904</u>		<u>21,268,028</u>
Operating loss	<u>(11,523,886)</u>	<u>(2,579,470)</u>	<u>(6,228,904)</u>		<u>(20,332,260)</u>
Other income (expense)					
Other income (expense)	20,209	-	-		20,209
Grant income	-	257,029	-		257,029
Transaction expenses	-	-	(1,560,000)	D	(1,560,000)
Interest income	251	25	-		276
Interest expense	(1,936,847)	(125,236)	125,236	E	(1,936,847)
Change in fair value of derivative liability	(37,607)	-	-		(37,607)
Total other income (expense)	<u>(1,953,994)</u>	<u>131,818</u>	<u>(1,434,764)</u>		<u>(3,256,940)</u>
Loss before provision for income taxes	(13,477,880)	(2,447,652)	(7,663,668)		(23,589,200)
Provision for income taxes	-	-	-		-
Net loss	<u>\$ (13,477,880)</u>	<u>\$ (2,447,652)</u>	<u>\$ (7,663,668)</u>		<u>\$ (23,589,200)</u>
Net loss per share - basic and diluted	<u>\$ (0.66)</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (0.80)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>20,428,490</u>	<u>-</u>	<u>9,083,333</u>	F	<u>29,511,823</u>

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Ondas Holdings Inc.
Notes to Unaudited Pro Forma
Condensed Combined Financial Statements

Note 1 – Basis of Presentation

The audited and unaudited interim historical consolidated financial statements have been adjusted in the pro forma condensed combined financial statements to give effect to

pro forma events that are (1) directly attributable to the business combination, (2) factually supportable and (3) with respect to the pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results following the business combination.

The business combination was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. As the acquirer for accounting purposes, the Company has estimated the fair value of American Robotics' assets acquired and liabilities assumed and conformed the accounting policies of American Robotics to its own accounting policies.

The unaudited pro forma condensed combined financial statements are based on our audited and unaudited interim historical consolidated financial statements and American Robotics' audited and unaudited interim historical combined financial statements as adjusted to give effect to the Company's acquisition of American Robotics. The Unaudited Pro Forma Condensed Combined Balance Sheets as of June 30, 2021 gives effect to these transactions as if they occurred on June 30, 2021. The Unaudited Pro Forma Condensed Combined Statements of Operations for the six months ended June 30, 2021 and twelve months ended December 31, 2020 give effect to these transactions as if they occurred on January 1, 2020.

The allocation of the purchase price used in the unaudited pro forma financial statements is based upon a preliminary valuation by management. The final estimate of the fair values of the assets and liabilities will be determined with the assistance of a third-party valuation firm. The Company's preliminary estimates and assumptions are subject to materially change upon the finalization of internal studies and third-party valuations of assets, including investments, property and equipment, intangible assets including goodwill, and certain liabilities.

The Unaudited Pro Forma Condensed Combined Financial Statements are provided for informational purpose only and is not necessarily indicative of what the combined company's financial position and results of operations would have actually been had the transactions been completed on the dates used to prepare these pro forma financial statements. The adjustments to fair value and the other estimates reflected in the accompanying unaudited pro forma condensed combined financial statements may be materially different from those reflected in the combined company's consolidated financial statements subsequent to the transactions. In addition, the Unaudited Pro Forma Condensed Combined Financial Statements do not purport to project the future financial position or results of operations of the combined companies. Reclassifications and adjustments may be required if changes to Ondas Holdings Inc.'s financial presentation are needed to conform Ondas Holdings Inc.'s accounting policies to the accounting policies of the American Robotics.

These unaudited pro forma condensed combined financial statements do not give effect to any anticipated synergies, operating efficiencies or cost savings that may be associated with the transactions. These financial statements also do not include any integration costs the companies may incur related to the transactions as part of combining the operations of the companies.

Ondas Holdings Inc.
Notes to Unaudited Pro Forma
Condensed Combined Financial Statements

Note 2 – Summary of Significant Accounting Policies

The unaudited pro forma condensed combined financial statements have been prepared in a manner consistent with the accounting policies adopted by the Company. The accounting policies followed for financial reporting on a pro forma basis are the same as those disclosed in the 2020 Annual Report on Form 10-K and for American Robotics, the accounting policies followed for financial reporting on a pro forma basis are the same as those disclosed in the audited financial statements included in this Form 8-K. The unaudited pro forma condensed combined financial statements do not assume any differences in accounting policies among the Company and American Robotics. The Company is reviewing the accounting policies of American Robotics to ensure conformity of such accounting policies to those of the Company and, as a result of that review, the Company may identify differences among the accounting policies of the two companies, that when confirmed, could have a material impact on the consolidated financial statements. However, at this time, the Company is not aware of any difference that would have a material impact on the unaudited pro forma condensed combined financial statements.

Note 3 - Purchase Price Allocation

On May 17, 2021, the Company entered into a Plan of Merger and Equity Purchase Agreement (the "Agreement") with Drone Merger Sub I Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company ("Merger Sub I"), Drone Merger Sub II Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company ("Merger Sub II"), American Robotics, Inc., a Delaware corporation ("American Robotics"), and Reese Mozer, solely in his capacity as the representative of American Robotics' Stockholders (as defined in the Agreement).

On August 5, 2021 (the "Closing Date"), the Company consummated the Mergers (as defined below). As contemplated by the Agreement and as described in the Company's definitive proxy statement filed with the Securities and Exchange Commission ("SEC") on July 6, 2021, following a Special Meeting of Stockholders of Ondas held on August 5, 2021 (the "Special Meeting"), American Robotics merged with and into Merger Sub I ("Merger I"), with American Robotics continuing as the surviving entity, and American Robotics then subsequently and immediately merged with and into Merger Sub II ("Merger II" and, together with Merger I, the "Mergers"), with Merger Sub II continuing as the surviving entity and as a direct wholly owned subsidiary of the Company. Simultaneously with Merger II, Merger Sub II was renamed American Robotics, Inc.

Pursuant to the Agreement, American Robotics stockholders received (i) cash consideration in an amount equal to \$7,500,000, less certain indebtedness, transaction expenses and other expense amounts as described in the Agreement; (ii) 6,750,000 shares of the Company's common stock (inclusive of 26 fractional shares paid in cash as set forth in the Agreement); (iii) warrants exercisable for 1,875,000 shares of the Company's common stock (the "Warrants") (inclusive of 24 fractional shares paid in cash and the equivalent of Warrants for 309,320 shares representing the value of options exercisable for 211,038 shares issued under the Company's incentive stock plan and reducing the aggregate amount of Warrants as set forth in the Agreement); and (iv) the cash release from the PPP Loan Escrow Amount (as defined in the Agreement). Each of the Warrants entitle the holder to purchase a number of shares of the Company's common stock at an exercise price of \$7.89. Each of the Warrants shall be exercisable in three equal annual installments commencing on the one year anniversary of the Closing Date and shall have a term of ten years.

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The following table summarizes the preliminary allocation of the purchase price based on the estimated fair value of the acquired assets and assumed liabilities as of June 30, 2021:

Purchase price consideration

Cash	\$ 7,500,278
Parent loan	2,000,000
Common Stock - 6,749,974 Shares	52,514,798
Vested Stock Options - 59,543 Shares	343,142
Warrants - 1,565,656 Shares	4,931,816
Total purchase price consideration	<u>\$ 67,290,034</u>

Estimated fair value of assets:

Cash	\$ 1,385,588
Accounts receivable	5,643
Property, plant and equipment	152,609
Right of use asset	459,060
Other long-term assets	24,166
	<u>2,027,066</u>

Estimated fair value of liabilities assumed:

Accounts payable	145,618
Deferred revenue	77,500
Lease liabilities	476,418
	<u>699,536</u>

Net tangible assets	1,327,530
Intangible assets	40,986,000
Goodwill	24,976,504
Total consideration	<u>\$ 67,290,034</u>

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the pro forma balance sheet and statement of operations. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments. The final allocation may include (1) changes in fair values of property, plant and equipment, (2) changes in allocations to intangible assets such as trade names and technology, as well as goodwill and (3) other changes to assets and liabilities.

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the pro forma balance sheet and statement of operations. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations. For purposes of the pro forma condensed combined financial statements, for inventory, property and equipment, leases and other assets and liabilities the Company used the carrying value as reported its unaudited interim financial statement as reported on Form 10Q for the quarter ended June 30, 2021, and as reported in the unaudited interim financial statements for American Robotics that have been included in this Form 8-K. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments.

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In accordance with the Agreement, as discussed above, the purchase price includes: (a) \$9,500,278 in cash, Parent loan, and fractional shares paid in cash; (b) \$52,514,798 in common stock; (c) \$343,142 in vested stock options; and (d) \$4,931,816 in warrants. For purposes of these pro forma combined financial statements, the Company issued 6,749,974 shares of the Company's common stock, vested stock options for 59,543 shares of the Company's common stock, and warrants for 1,565,656 shares of the Company's common stock. The fair value of the common stock shares was determined based on a per share price of \$7.78, which is the closing price of the Company's common stock on August 5, 2021. The fair value of the stock options was determined based on a per share price range of \$6.41 - \$5.69, which is the closing price of the Company's common stock on August 5, 2021, \$7.78, less the strike price of the options, which ranges from \$2.09 - \$1.37 per share. The fair value of the warrants was determined based on a per share price of \$3.15, which is the call option value based on a Black-Scholes fair value calculation assuming a term of 5 years, 46.62% volatility rate, and discount rate of 0.72% based on the 5-year treasury yield rate as of August 5, 2021. The following table reflects the impact of a 10% increase or decrease in the per share price on the estimated fair value of the purchase price and goodwill:

	<u>Purchase Price</u>	<u>Estimate Goodwill</u>
As presented in the pro forma combined results	\$ 67,290,034	\$ 24,976,504
10% increase in common stock price	\$ 73,081,048	\$ 30,767,518
10% decrease in common stock price	\$ 61,499,020	\$ 19,185,490

Note 4 – Pro Forma Transaction Accounting Adjustments

The pro forma transaction accounting adjustments are based on our preliminary estimates and assumptions that are subject to change. The following transaction accounting adjustments have been reflected in the unaudited pro forma condensed combined financial information:

- A. This adjustment records the net decrease in cash paid as consideration.
- B. This adjustment records the elimination of a \$2,000,000 intercompany loan that carries interest at a rate of 2% per annum. The principal and any accrued and unpaid interest is due on April 22, 2022.

In addition, this adjustment reflects the elimination of \$7,562 of accrued interest expense as of and for the six months ended June 30, 2021.

- C. As part of the preliminary valuation analysis, the Company separately identified certain intangible assets with an estimate fair value of \$40,986,000. The fair value was determined primarily using the “income approach”, which requires a forecast of the expected future cash flows. Since all the information required to perform a detail valuation analysis of American Robotics’ intangible assets could not be obtained as of the date of this filing, for purposes of these unaudited pro forma condensed combined financial statements, the Company used certain assumptions based on publicly available transactions data for the industry. Based on our research and discussions with American Robotics management, we have concluded that the intangible assets have a 15-year useful life, resulting in an adjustment of \$1,366,200 and \$2,732,400 of amortization expense for the six months ended June 30, 2021 and the twelve months ended December 31, 2020, respectively. These numbers may change significantly when the final allocation of purchase price is calculated.

In addition, this adjustment reflects the recognition of goodwill of \$24,976,504.

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- D. This adjustment reflects the accrual of the Company’s estimated total transaction costs for legal and other professional fees and expenses, which are estimated to be approximately \$1,560,000.
- E. This adjustment reflects the elimination of convertible notes, convertible notes related party, stock compensation expense, and accrued interest and interest expense on the convertible notes that are expected to be converted to shares in American Robotics prior to closing.
- F. This adjustment records (1) the issuance of 6,749,974 shares of common stock to the sellers as the equity portion of the purchase consideration, valued at \$52,514,798 based on a per share price of \$7.78, which was the closing prices of the Company’s common stock on August 5, 2021; (2) plus the issuance of vested stock options for 59,543 shares, valued at \$343,142 based on a share price range of \$6.41 - \$5.69, which is the closing price of the Company’s common stock on August 5, 2021, \$7.78, less the strike price of the options, which ranges from \$2.09 - \$1.37 per share; (3) plus the issuance of warrants for 1,565,656 shares, valued at \$4,931,816 based on a share price of \$3.15, which is the call option value based on a Black-Scholes fair value calculation assuming a term of 5 years, 46.62% volatility rate, and discount rate of 0.72% based on the 5-year treasury yield rate as of August 5, 2021; (4) plus the issuance of 1,375,000 restricted stock units under the Company’s incentive stock plan to key members of American Robotics’ management and the corresponding stock compensation expense, valued at the Company’s stock price of \$7.78 on August 5, 2021, which vest over a three year period, resulting in an adjustment of \$1,782,917 and \$3,565,833 of stock compensation expense for the six months ended June 30, 2021 and the twelve months ended December 31, 2020, respectively.
- G. This adjustment eliminates American Robotics’ Equity as reported in the unaudited financial statements as of and for the six months ended June 30, 2021.

Note 5 – Combined Adjusted EBITDA After Pro Forma Adjustments

Adjusted EBITDA is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. Non-GAAP financial measures are not necessarily calculated the same way by different companies and should not be considered a substitute for or superior to U.S. GAAP.

Combined Adjusted EBITDA Before Pro Forma Adjustments is defined as net income adjusted to add back interest expense including debt extinguishment and depreciation and amortization, and certain charges and expenses, such as impairment loss on intellectual property, non-cash stock-based compensation, change in derivative liability, as these charges and expenses are not considered a part of our core business operations and are not an indicator of ongoing, future company performance.

Adjusted EBITDA is one of the primary metrics used by management to evaluate the financial performance of our business. We present Adjusted EBITDA because we believe it is frequently used by analysts, investors and other interested parties to evaluate companies in our industry. Further, we believe it is helpful in highlighting trends in our operating results, because it excludes, among other things, certain results of decisions that are outside the control of management, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure and capital investments.

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The following tables reconcile Combined Adjusted EBITDA After Pro Forma Adjustments to net income based on the Company’s audited Consolidated Statement of Operations for the six months ended June 30, 2021 and year ended December 31, 2020 and American Robotics’ unaudited Statements of Operations for the six months ended June 30, 2021 and audited Statements of Operations for the year ended December 31, 2020, as reported in this Form 8-K:

	For the Six Months Ended June 30, 2021			
	Ondas Holdings Inc.	American Robotics	Transaction Accounting Adjustments	Pro Forma Consolidated
Net Loss	\$ (5,959,886)	\$ (1,826,829)	\$ (4,586,106)	\$ (12,372,821)
Add back:				
Interest expense	566,600	90,407	(90,407)	566,600
Depreciation and amortization	345,058	7,074	1,366,200	1,718,332
Interest income and miscellaneous income	(555,512)	(235,846)	-	(791,358)
EBITDA	(5,603,740)	(1,965,194)	(3,310,313)	(10,879,247)
Adjustments				
Impairment loss on intellectual property	70,895	-	-	70,895
Other Non-recurring costs	-	-	1,560,000	1,560,000
Non-cash stock based compensation	1,650,119	17,089	1,750,313	3,417,521
Adjusted EBITDA	\$ (3,882,726)	\$ (1,948,105)	\$ -	\$ (5,830,831)

For the Year Ended December 31, 2020

	Ondas Holdings Inc.	American Robotics	Transaction Accounting Adjustments	Pro Forma Consolidated
Net Loss	\$ (13,477,880)	\$ (2,447,652)	\$ (7,663,668)	\$ (23,589,200)
Add back:				
Interest expense	1,936,847	125,236	(125,236)	1,936,847
Depreciation and amortization	829,994	6,770	2,732,400	3,569,164
Interest income and miscellaneous income	(20,460)	(257,054)	-	(277,514)
EBITDA	<u>(10,731,499)</u>	<u>(2,572,700)</u>	<u>(5,056,504)</u>	<u>(18,360,703)</u>
Adjustments				
Impairment loss on intellectual property	33,334	-	-	33,334
Non-cash stock based compensation	4,676,362	69,329	3,496,504	8,242,195
Non-cash lease expense	280,354	-	-	280,354
Other Non-recurring costs			1,560,000	1,560,000
Change in derivative liability	37,607	-	-	37,607
Adjusted EBITDA	<u>\$ (5,703,842)</u>	<u>\$ (2,503,371)</u>	<u>\$ -</u>	<u>\$ (8,207,213)</u>