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 quarterly period ended September 30, 2022

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: **000-56004**

ONDAS HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Nevada	**47-2615102**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

411 Waverley Oaks Road, Suite 114, Waltham, MA 02452
(Address of principal executive offices) (Zip Code)

(888) 350-9994
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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

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 ☒

The number of shares outstanding of the issuer's common stock as of November 9, 2022, was 42,885,046.

ONDAS HOLDINGS INC.
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ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 15,283,557	$ 40,815,123
Accounts receivable, net	821,159	1,213,195
Inventory, net	1,431,816	1,178,345
Other current assets	1,643,969	1,449,610
Total current assets	19,180,501	44,656,273
Property and equipment, net	4,296,034	1,031,999
Other Assets:		
Goodwill	45,026,583	45,026,583
Intangible assets, net	29,612,392	25,169,489
Long-term equity investment	1,500,000	500,000
Lease deposits	218,206	218,206
Operating lease right of use assets	3,182,266	836,025
Total other assets	79,539,447	71,750,303
Total assets	$ 103,015,982	$ 117,438,575
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	$ 3,398,477	$ 2,411,085
Operating lease liabilities	698,217	550,525
Accrued expenses and other current liabilities	1,862,812	1,149,907
Deferred revenue	343,944	512,397
Total current liabilities	6,303,450	4,623,914
Long-Term Liabilities:		
Notes payable	300,000	300,000
Accrued interest	38,481	40,152
Operating lease liabilities, net of current	2,571,353	241,677
Total long-term liabilities	2,909,834	581,829
Total liabilities	9,213,284	5,205,743
Commitments and Contingencies (Note 12)		
Stockholders' Equity		
Preferred stock - par value $0.0001; 5,000,000 shares authorized at September 30, 2022 and December 31, 2021, respectively, and none issued or outstanding at September 30, 2022 and December 31, 2021, respectively	-	-
Preferred stock, Series A - par value $0.0001; 5,000,000 shares authorized at September 30, 2022 and December 31, 2021, respectively, and none issued or outstanding at September 30, 2022 and December 31, 2021, respectively	-	-
Common stock - par value $0.0001; 116,666,667 shares authorized; 42,682,335 and 40,990,604 issued and outstanding at September 30, 2022 and December 31, 2021, respectively	4,268	4,099
Additional paid in capital	209,051,984	192,502,122
Accumulated deficit	(115,253,554)	(80,273,389)
Total stockholders' equity	93,802,698	112,232,832
Total liabilities and stockholders' equity	$ 103,015,982	$ 117,438,575

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues, net	$ 632,489	$ 283,329	$ 1,646,905	$ 2,335,525
Cost of goods sold	233,001	269,716	806,571	1,405,741
Gross profit	399,488	13,613	840,334	929,784
Operating expenses:				
General and administration	7,362,274	2,721,785	18,727,626	7,625,909
Sales and marketing	792,613	424,992	2,210,021	808,513
Research and development	5,793,345	1,780,187	14,815,852	3,428,406
Total operating expenses	13,948,232	4,926,964	35,753,499	11,862,828
Operating loss	(13,548,744)	(4,913,351)	(34,913,165)	(10,933,044)
Other income (expense)	(21,392)	-	(32,655)	618,781
Interest income	-	3,953	-	11,579
Interest expense	(8,205)	(4,874)	(34,345)	(571,473)
Total other income (expense)	(29,597)	(921)	(67,000)	58,887
Net loss	(13,578,341)	(4,914,272)	(34,980,165)	(10,874,157)
Net loss per share - basic and diluted	$ (0.32)	$ (0.13)	$ (0.83)	$ (0.34)
Weighted average number of common shares outstanding, basic and diluted	42,661,607	38,837,940	41,946,041	31,707,964

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Unaudited)

	Common Stock				Additional Paid in		Accumulated		
	Shares		Amount		Capital		Deficit		Total
Balance, January 1, 2021	26,540,769	$	2,654	$	80,330,488	$	(65,249,547)	$	15,083,595
Stock-based compensation	-		-		1,348,462		-		1,348,462
Shares issued in exercise of warrants	131,271		13		1,279,879		-		1,279,892
Forgiveness of accrued officers' salary	-		-		135,103		-		135,103
Net loss	-		-		-		(3,138,119)		(3,138,119)
Balance, March 31, 2021	26,672,040	$	2,667	$	83,093,932	$	(68,387,666)	$	14,708,933
Issuance of shares from 2021 Public Offering, net of costs	7,360,000		736		47,522,833		-		47,523,569
Stock-based compensation					301,657		-		301,657
Shares issued in exercise of warrants	6,667		1		65,002		-		65,003
Net loss	-		-		-		(2,821,766)		(2,821,766)
Balance, June 30, 2021	34,038,707	$	3,404	$	130,983,424	$	(71,209,432)	$	59,777,396
Issuance of shares in connection with acquisition of American Robotics, Inc.	6,749,974		675		52,514,123		-		52,514,798
Issuance of warrants in connection with acquisition of American Robotics, Inc.	-		-		6,904,543		-		6,904,543
Issuance of vested stock options in connection with acquisition of American Robotics, Inc.	-		-		343,143		-		343,143
Stock-based compensation	-		-		304,954		-		304,954
Net loss	-		-		-		(4,914,272)		(4,914,272)
Balance, September 30, 2021	40,788,681	$	4,079	$	191,050,187	$	(76,123,704)	$	114,930,562
Balance, January 1, 2022	40,990,604	$	4,099	$	192,502,122	$	(80,273,389)	$	112,232,832
Stock-based compensation	-		-		1,328,395		-		1,328,395
Net loss	-		-		-		(10,010,399)		(10,010,399)
Balance, March 31, 2022	40,990,604	$	4,099	$	193,830,517	$	(90,283,788)	$	103,550,828
Issuance of shares in connection with acquisition of asset from Ardenna, Inc.	780,000		78		5,943,522		-		5,943,600
Stock-based compensation	-		-		1,555,184		-		1,555,184
Shares issued as per ATM agreement (Net of offering costs)	852,679		85		6,039,020		-		6,039,105
Net loss							(11,391,425)		(11,391,425)
Balance, June 30, 2022	**42,623,283**		**4,262**		**207,368,243**		**(101,675,213)**		**105,697,292**
Shares issued as per ATM agreement (Net of offering costs)	11,995		1		61,662				61,663
Issuance of shares in connection with acquisition of asset from Field of View LLC	16,000		2		74,018				74,020
Shares issued in exercise of options	31,057		3		64,906				64,909
Stock-based compensation	-		-		1,483,155		-		1,483,155
Net loss	-		-		-		(13,578,341)		(13,578,341)
Balance, September 30, 2022	**42,682,335**		**4,268**		**209,051,984**		**(115,253,554)**		**93,802,698**

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (34,980,165)	$ (10,874,157)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation	280,195	77,825
Amortization of debt discount	-	120,712
PPP Loan forgiveness	-	(666,091)
Amortization of intangible assets	2,726,295	682,239
Amortization of right of use asset	633,110	166,580
Loss on Intellectual Property	11,095	-
Stock-based compensation	4,366,734	1,955,073
Changes in operating assets and liabilities:		
Accounts receivable	392,036	(1,165,219)
Inventory	(253,471)	(132,231)
Other current assets	(244,800)	101,148
Accounts payable	987,392	(577,269)
Deferred revenue	(168,453)	173,377
Operating lease liability	(451,542)	(155,963)
Accrued expenses and other current liabilities	502,901	(1,329,680)
Net cash flows used in operating activities	(26,198,673)	(11,623,656)
CASH FLOWS FROM INVESTING ACTIVITIES		
Patent costs	(29,678)	(14,111)
Purchase of property and equipment	(3,525,724)	(80,358)
Cash paid for Ardenna Inc. asset acquisition	(900,000)	
Purchase of American Robotics, Inc., net of cash acquired	-	(8,528,844)
Cash paid for Field of View LLC asset acquisition	(41,667)	
Security deposit	-	(61,423)
Investment in Dynam AI	(1,000,000)	-
Net cash flows used in investing activities	(5,497,069)	(8,684,736)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of warrants/options	64,909	1,344,895
Proceeds from 2021 Public Offering, net of costs	-	47,523,569
Proceeds from sale of shares under ATM agreement	6,099,267	-
Payments on loan payable	-	(7,124,278)
Net cash flows provided by financing activities	6,164,176	41,744,186
Increase (decrease) in cash and cash equivalents	(25,531,566)	21,435,794
Cash and cash equivalents, beginning of period	40,815,123	26,060,733
Cash and cash equivalents, end of period	$ 15,283,557	$ 47,496,527
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 12,920	$ 1,038,532
Cash paid for income taxes	$ -	$ -
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Forgiveness of accrued officers' salary	$ -	$ 135,103
Non-cash consideration for purchase of intangible assets	6,019,120	-
Operating leases right-of-use assets obtained in exchange for lease liabilities	$ 2,928,911	$ -

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

The Company

Ondas Holdings Inc. (“Ondas Holdings,” “Ondas,” the “Company,” “we,” or “our”) was originally incorporated in Nevada on December 22, 2014, under the name of Zev Ventures Incorporated. On September 28, 2018, we acquired Ondas Networks Inc., a Delaware corporation (“Ondas Networks”), and changed our name to Ondas Holdings Inc. On August 5, 2021, we acquired American Robotics, Inc., a Delaware corporation (“American Robotics” or “AR”). As a result of these acquisitions, Ondas Networks and American Robotics became our wholly owned subsidiaries. These two wholly owned subsidiaries are now Ondas’ primary focus. Ondas’ corporate headquarters are located in Waltham, Massachusetts. Ondas Networks has offices and facilities in Sunnyvale, California, and American Robotics’ offices and facilities are located in Waltham, Massachusetts and Marlborough, Massachusetts.

Ondas has a third wholly owned subsidiary, FS Partners (Cayman) Limited, a Cayman Islands limited liability company (“FS Partners”), and one majority owned subsidiary, Full Spectrum Holding Limited, a Cayman Islands limited liability company (“FS Holding”). FS Partners and FS Holding were both formed for the purpose of operating in China. As of December 31, 2019, we revised our business strategy, and discontinued all operations in China. Both FS Partners and FS Holding had no operations for the nine months ended September 30, 2022 and 2021, and we are in the process of dissolving these entities effective as of January 4, 2023.

Business Activity

Ondas is a leading provider of private wireless, drone and automated data solutions through its wholly owned subsidiaries, Ondas Networks and American Robotics. We operate our two subsidiaries as separate business segments.

Ondas Networks

Ondas Networks provides wireless connectivity solutions enabling mission-critical Industrial Internet applications and services. We refer to these applications as the Mission Critical Internet of Things (“MC-IoT”). Our wireless networking products are applicable to a wide range of MC-IoT applications which are most often located at the very edge of large industrial networks. These applications require secure, real-time connectivity with the ability to process large amounts of data at the edge of large industrial networks. Such applications are required in all of the major critical infrastructure markets, including rail, electric grids, drones, oil and gas, and public safety, homeland security and government, where secure, reliable and fast operational decisions are required in order to improve efficiency and ensure a high degree of safety and security.

We design, develop, manufacture, sell and support FullMAX, our patented, Software Defined Radio (“SDR”) platform for secure, licensed, private, wide-area broadband networks. Our customers install FullMAX systems in order to upgrade and expand their legacy wide-area network (“WAN”) infrastructure. Our MC-IoT intellectual property has been adopted by the Institute of Electrical and Electronics Engineers (“IEEE”), the leading worldwide standards body in data networking protocols, and forms the core of the IEEE 802.16s standard.

American Robotics

American Robotics designs, develops and manufactures autonomous drone systems, providing high-fidelity, ultra-high-resolution aerial data to enterprise customers. We provide our customers turnkey data solutions designed to meet their unique requirements in the field. We do this via our internally developed Scout System™, an industrial drone platform which provides commercial and government customers with the ability to continuously digitize, analyze, and monitor their assets and field operations in near real-time.

The Scout System™ has been designed from the ground up as an end-to-end product capable of continuous unattended operations in the real world. Powered by innovations in robotics automation, machine vision, edge computing, and AI, the Scout System™ provides efficiencies as a drone solution for commercial use. Once installed in the field at customer locations, a fleet of connected Scout Systems remain indefinitely in an area of operation, automatically collecting data each day, self-charging, and seamlessly delivering data analysis regularly and reliably. AR markets the Scout System™ under a Robot-as-a-Service ("RaaS") business model, whereby our drone platform aggregates customer data and provides the data analytics meeting customer requirements in return for an annual subscription fee.

The Scout System™ consists of (i) Scout™, a highly automated, AI-powered drone with advanced imaging payloads (ii) the ScoutBase™, a ruggedized weatherproof base station for housing, charging, data processing, and cloud transfer, and (iii) ScoutView™, a secure web portal and API which enables remote interaction with the system, data, and resulting analytics anywhere in the world. These major subsystems are connected via a host of supporting technologies. Using a suite of proprietary technologies, including Detect-and-Avoid ("DAA") and other proprietary intelligent safety systems, we achieved the first and only Federal Aviation Administration ("FAA") approval for automated operations without a human on-site in the United States on January 15, 2021.

Liquidity

We have incurred losses since inception and have funded our operations primarily through debt and the sale of capital stock. On September 30, 2022, we had stockholders' equity of $93,802,698, net short and long-term borrowings outstanding of $0 and $300,000, respectively, cash and cash equivalents of $15,283,557 and working capital of $12,877,051. Also, on October 28, 2022, we closed the Notes Offering as explained in detail in Note 16 – Subsequent events, which provided us net proceeds of approximately $27,750,000 after deducting the placement agent's fees and offering expenses.

Our future capital requirements will depend upon many factors, including progress with developing, manufacturing and marketing our technologies, the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other proprietary rights, our ability to establish collaborative arrangements, marketing activities and competing technological and market developments, including regulatory changes and overall economic conditions in our target markets. Our ability to generate revenue and achieve profitability requires us to successfully market and secure purchase orders for our products from customers currently identified in our sales pipeline as well as new customers. We also will be required to efficiently manufacture and deliver equipment on those purchase orders. These activities, including our planned research and development efforts, will require significant uses of working capital. There can be no assurance that we will generate revenue and cash as expected in our current business plan. We may seek additional funds through equity or debt offerings and/or borrowings under additional notes payable, lines of credit or other sources. We do not know whether additional financing will be available on commercially acceptable terms or at all, when needed. If adequate funds are not available or are not available on commercially acceptable terms, our ability to fund our operations, support the growth of our business or otherwise respond to competitive pressures could be significantly delayed or limited, which could materially adversely affect our business, financial condition or results of operations.

COVID-19

In December 2019, a novel strain of coronavirus ("COVID-19") was identified and has resulted in increased travel restrictions, business disruptions and emergency quarantine measures across the world including the United States.

The Company's business, financial condition and results of operations were impacted from the COVID-19 pandemic for the three and nine months ended September 30, 2022 and the year ended December 31, 2021 as follows:

- sales and marketing efforts were disrupted as our business development team was unable to travel to visit customers and customers were unable to receive visitors for on-location meetings;

- field activity for testing and deploying our wireless systems was delayed due to the inability for our field service team to install and test equipment for our customers; and

- manufacturing and sales were disrupted due to ongoing supply chain constraints for certain critical parts.

The Company expects its business, financial condition and results of operations will continue to be impacted from the COVID-19 pandemic during 2022, primarily due to the slowdown of customer activity during 2021 and 2020, ongoing supply chain constraints for certain critical parts, and difficulties in attracting employees. The extent to which the coronavirus may impact our business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 and its variants. As a result, the Company is unable to reasonably estimate the full extent of the impact from the COVID-19 pandemic on its future business, financial conditions, and results of operations. In addition, if the Company were to experience any new impact to its operations or incur additional unanticipated costs and expenses as a result of the COVID-19 pandemic, such operational delays and unanticipated costs and expenses could further adversely impact the Company's business, financial condition and results of operations during 2022.

Inflation Reduction Act of 2022

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law. The IRA includes a 15% Corporate Alternative Minimum Tax ("Corporate AMT") for tax years beginning after December 31, 2022. We do not expect the Corporate AMT to have a material impact on our consolidated financial statements. Additionally, the IRA imposes a 1% excise tax on net repurchases of stock by certain publicly traded corporations. The excise tax is imposed on the value of the net stock repurchased or treated as repurchased. The new law will apply to stock repurchases occurring after December 31, 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial statements for interim periods in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The information included in this quarterly report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K"). The Company's accounting policies are described in the "*Notes to Consolidated Financial Statements*" in the 2021 Form 10-K and are updated, as necessary, in this Form 10-Q. The December 31, 2021 condensed consolidated balance sheet data presented for comparative purposes was derived from the audited financial statements but does not include all disclosures required by U.S. GAAP. The results of operations for the three and nine months ended September 30, 2022, are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

The condensed consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries, Ondas Networks, American Robotics, and FS Partners, and our majority owned subsidiary, FS Holding. All significant inter-company accounts and transactions between these entities have been eliminated in these unaudited condensed consolidated financial statements.

Business Combinations

We utilize the purchase method of accounting for business combinations. This method requires, among other things, that results of operations of acquired companies are included in Ondas' results of operations beginning on the respective acquisition dates and that assets acquired, and liabilities assumed are recognized at fair value as of the acquisition date. Any excess of the fair value of consideration transferred over the fair values of the net assets acquired is recognized as goodwill. Contingent consideration liabilities are recognized at the estimated fair value on the acquisition date; these are recorded in either other accruals within current liabilities (for expected payments in less than a year) or other non-current liabilities (for expected payments in greater than a year), both on our condensed consolidated balance sheets. Subsequent changes to the fair value of contingent consideration liabilities are recognized in other income (expense) in the consolidated statements of income. Contingent consideration payments made soon after the acquisition date are classified as investing activities in the consolidated statements of cash flows. Contingent consideration payments not made soon after the acquisition date that are related to the acquisition date fair value are reported as financing activities in the consolidated statements of cash flows, and amounts paid in excess of the original acquisition date fair value are reported as operating activities in the consolidated statements of cash flows. The fair value of assets acquired and liabilities assumed in certain cases may be subject to revision based on the final determination of fair value during a period of time not to exceed 12 months from the acquisition date. Legal costs, due diligence costs, business valuation costs and all other business acquisition costs are expensed when incurred.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair values of the underlying net assets of an acquired business. The Company tests goodwill for impairment on an annual basis during the fourth quarter of its fiscal year, or immediately if conditions indicate that such impairment could exist. The Company evaluates qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value and whether it is necessary to perform goodwill impairment process.

Intangible assets represent patents, licenses, and allocation of purchase price to identifiable intangible assets of an acquired business. The Company estimates the fair value of its reporting units using the fair market value measurement requirement. Intangible assets are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable.

We amortize our intangible assets with a finite life on a straight-line basis, over 10 years for patents; 10 years for developed technology, 10 years for licenses, trademarks, and the FAA waiver; 5 years for customer relationships; and 1 year for non-compete agreements.

Segment Information

Operating segments are defined as components of an entity for which discrete financial information is available and is regularly reviewed by the Chief Operating Decision Maker ("CODM") in making decisions regarding resource allocation and performance assessment. The Company's CODM is its Chief Executive Officer. The Company determined it has two reportable segments: Ondas Networks and American Robotics as the CODM reviews financial information for these two businesses separately. The Company has no inter-segment sales.

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. Such management estimates include those relating to revenue recognition, inventory write-downs to reflect net realizable value, assumptions used in the valuation of stock-based awards and valuation allowances against deferred tax assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. On September 30, 2022 and December 31, 2021, we had no cash equivalents. The Company periodically monitors its positions with, and the credit quality of the financial institutions with which it invests. Periodically, throughout the nine months ended, and as of September 30, 2022, the Company has maintained balances in excess of federally insured limits. As of September 30, 2022, the Company was $14,776,752 in excess of federally insured limits.

Accounts Receivable

Accounts receivable are stated at a gross invoice amount less an allowance for credit losses as well as net of any discounts or other forms of variable consideration. We estimate allowance for credit losses by evaluating specific accounts where information indicates our customers may have an inability to meet financial obligations, such as customer payment history, credit worthiness and receivable amounts outstanding for an extended period beyond contractual terms. We use assumptions and judgment, based on the best available facts and circumstances, to record an allowance to reduce the receivable to the amount expected to be collected. These allowances are evaluated and adjusted as additional information is received. We had no allowance for credit losses as of September 30, 2022 and December 31, 2021.

Inventory

Inventories, which consist solely of raw materials, work in process and finished goods, are stated at the lower of cost (first-in, first-out) or net realizable value, net of reserves for obsolete inventory. We continually analyze our slow-moving and excess inventories. Based on historical and projected sales volumes and anticipated selling prices, we established reserves. Inventory that is in excess of current and projected use is reduced by an allowance to a level that approximates its estimate of future demand. Products that are determined to be obsolete are written down to net realizable value.

Inventory consists of the following:

	September 30, 2022	December 31, 2021
Raw Material	$ 1,325,659	$ 1,153,254
Work in Process	95,010	65,192
Finished Goods	111,401	60,153
Less Inventory Reserves	(100,254)	(100,254)
Total Inventory, Net	$ 1,431,816	$ 1,178,345

Property and Equipment

All additions, including improvements to existing facilities, are recorded at cost. Maintenance and repairs are charged to expense as incurred. Depreciation of property and equipment is principally recorded using the straight-line method over the estimated useful lives of the assets. The estimated useful lives typically are (i) three to seven years for computer equipment and software, (ii) five years for vehicles and base stations, (iii) five to seven years for furniture and fixtures and test equipment, and (iv) two years for drones. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset. Upon the disposal of property, the asset and related accumulated depreciation accounts are relieved of the amounts recorded therein for such items, and any resulting gain or loss is recorded in operating expenses in the year of disposition.

Software

Costs incurred internally in researching and developing a software product are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. We have determined that technological feasibility for our software products is reached after all high-risk development issues have been resolved through coding and testing. Generally, this occurs shortly before the products are released to production. The amortization of these costs is included in cost of revenue over the estimated life of the products. As of September 30, 2022, and December 31, 2021, the Company had no internally developed software.

Impairment of Long-Lived Assets

Long-lived assets are evaluated whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. Such indicators include significant technological changes, adverse changes in market conditions and/or poor operating results. The carrying value of a long-lived asset group is considered impaired when the projected undiscounted future cash flows are less than its carrying value. The amount of impairment loss recognized is the difference between the estimated fair value and the carrying value of the asset or asset group. Fair market value is determined primarily using the projected future cash flows discounted at a rate commensurate with the risk involved. The impairments of long-lived assets were $11,095 and $70,895 for the nine months ended September 30, 2022, and 2021, respectively. The impairments of long-lived assets were $0 and $0 for the three months ended September 30, 2022, and 2021, respectively.

Research and Development

Costs for research and development are expensed as incurred except for research and development equipment with alternative future use. Research and development expenses consist primarily of salaries, salary related expenses and costs of contractors and materials.

Fair Value of Financial Instruments

Our financial instruments consist primarily of receivables, accounts payable, accrued expenses and short- and long-term debt. The carrying amount of receivables, accounts payable and accrued expenses approximate our fair value because of the short-term maturity of such instruments.

We have categorized our assets and liabilities that are valued at fair value on a recurring basis into a three-level fair value hierarchy in accordance with U.S. GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and lowest priority to unobservable inputs (Level 3).

Assets and liabilities recorded in the balance sheets at fair value are categorized based on a hierarchy of inputs, as follows:

Level 1 -- Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 -- Quoted prices for similar assets or liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 -- Unobservable inputs for the asset or liability.

The Company had no financial instruments that are required to be valued at fair value as of September 30, 2022 and December 31, 2021.

Deferred Offering Costs

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with in-process equity financing as deferred offering costs until such financing is consummated. After consummation of equity financing, these costs are recorded in stockholders' equity as a reduction of additional paid-in capital generated as a result of the offering. Should the planned equity financing be abandoned, the deferred offering costs are expensed immediately as a charge to other income (expense) in the consolidated statement of operations. The deferred offering costs outstanding as on September 30, 2022, was $204,877.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the related 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 when the rate change is enacted. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized. In accordance with U.S. GAAP, we recognize the effect of uncertain income tax positions only if the positions are more likely than not of being sustained in an audit, based on the technical merits of the position. Recognized uncertain income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which those changes in judgment occur. We recognize both interest and penalties related to uncertain tax positions as part of the income tax provision.

Share-Based Compensation

We calculate share-based compensation expense for option awards and certain warrant issuances ("Share-based Award(s)") based on the estimated grant/issue date fair value using the Black-Scholes-Merton option pricing model ("Black-Scholes Model") and recognize the expense on a straight-line basis over the vesting period. We account for forfeitures as they occur. The Black-Scholes Model requires the use of a number of assumptions including volatility of the stock price, the weighted average risk-free interest rate, and the expected term of the Share-based Award in determining the fair value of Share-based Awards. In determining the expected term, the Company uses the simplified method due the lack of sufficient exercise history. Although we believe our assumptions used to calculate share-based compensation expense are reasonable, these assumptions can involve complex judgments about future events, which are open to interpretation and inherent uncertainty. In addition, significant changes to our assumptions could significantly impact the amount of expense recorded in a given period.

We recognize restricted stock unit expense over the period of vesting or period that services will be provided. Compensation associated with shares of Common Stock issued or to be issued to consultants and other non-employees is recognized over the expected service period beginning on the measurement date, which is generally the time the Company and the service provider enter into a commitment whereby the Company agrees to grant shares in exchange for the services to be provided.

Shipping and Handling

We expense all shipping and handling costs as incurred. These costs are included in the cost of goods sold on the accompanying consolidated financial statements.

Revenue Recognition

Development projects

Ondas has two business segments that generate revenue: Ondas Networks and American Robotics. Ondas Networks generates revenue from product sales, services, and development projects. American Robotics generates revenue through data subscription services and development projects.

Ondas Networks is engaged in the development, marketing, and sale of wireless radio systems for secure, wide area mission-critical, business-to-business networks. Ondas Networks generates revenue primarily from the sale of our FullMAX System and the delivery of related services, along with non-recurring engineering (“NRE”) development projects with certain customers.

American Robotics generates revenue by selling a data subscription service to its customers based on the information collected by the Scout System. The Scout System consists of the Scout drone and the ScoutBase™ and is owned, installed, and maintained on the customer premises by American Robotics. The customer pays for a monthly, annual, or multi-annual subscription service to access the data collected by the Scout System. The customer accesses its data remotely through ScoutView™, AR’s secure web portal for displaying, analyzing, and storing customer information and captured image data. American Robotics also generates revenue from development projects for customers who are interested in customized solutions.

Revenue for development projects is typically recognized over time using a percentage of completion input method, whereby revenues are recorded on the basis of the Company’s estimates of satisfaction of the performance obligation based on the ratio of actual costs incurred to total estimated costs. The input method is utilized because management considers it to be the best available measure of progress as the performance obligations are completed.

Revenue and cost estimates are regularly monitored and revised based on changes in circumstances. Impacts from changes in estimates of revenue and cost of revenue are recognized on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods base in the performance completed to date.

Subscription revenue is recognized on straight line basis over the length of the customer subscription agreement. If a subscription payment is received prior to installation and operation of the Scout System, it is held in deferred revenue and recognized after operation commences over the length of the subscription service. American Robotics also provides customized data solutions for certain customers and receives development revenue for those services.

Collaboration Arrangements Within the Scope of ASC 808, Collaborative Arrangements

The Company's development revenue includes contracts where the Company and the customer work cooperatively to develop software and hardware applications. The Company analyzes these contracts to assess whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities and are therefore within the scope of ASC Topic 808, Collaborative Arrangements ("ASC 808"). This assessment is performed throughout the life of the arrangement based on changes in the responsibilities of all parties in the arrangement. For collaboration arrangements that are deemed to be within the scope of ASC 808, the Company first determines which elements of the collaboration are deemed to be within the scope of ASC 808 and those that are more reflective of a vendor-customer relationship and therefore within the scope of ASC 606, Revenue from Contracts with Customers ("ASC 606"). The Company's policy is generally to recognize amounts received from collaborators in connection with joint operating activities that are within the scope of ASC 808 as a reduction in research and development expense. As of September 30, 2022, the Company has not identified any contracts with its customers that meet the criteria of ASC 808.

Arrangements Within the Scope of ASC 606, Revenue from Contracts with Customers

Under ASC 606, the Company recognizes revenue when the customer obtains control of promised products or services, in an amount that reflects the consideration which is expected to be received in exchange for those products or services. The Company recognizes revenue following the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the products or services it transfers to the customer.

At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the products or services promised within each contract and determines those that are performance obligations and assesses whether each promised product or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price utilizing the expected value method. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available. Sales and other taxes collected on behalf of third parties are excluded from revenue. For the three and nine months ended September 30, 2022 and 2021, none of our contracts with customers included variable consideration.

Contracts that are modified to account for changes in contract specifications and requirements are assessed to determine if the modification either creates new or changes the existing enforceable rights and obligations. Generally, contract modifications are for products or services that are not distinct from the existing contract due to the inability to use, consume or sell the products or services on their own to generate economic benefits and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis. For the three and nine months ended September 30, 2022 and 2021, there were no modifications to contract specifications.

Product revenue is comprised of sales of the Ondas Networks' software defined base station and remote radios, its network management and monitoring system, and accessories. Ondas Networks' software and hardware is sold with a limited one-year basic warranty included in the price. The limited one-year basic warranty is an assurance-type warranty, is not a separate performance obligation, and thus no transaction price is allocated to it. The nature of tasks under the limited one-year basic warranty only provides for remedying defective product(s) covered by the warranty. Product revenue is generally recognized when the customer obtains control of our product, which occurs at a point in time, and may be upon shipment or upon delivery based on the contractual shipping terms of a contract, or upon installation when the combined performance obligation is not distinct within the context of the contract.

Service revenue is comprised of separately priced extended warranty sales, network support and maintenance, remote monitoring, as well as ancillary services directly related to the sale of the Ondas Networks' wireless communications products including wireless network design, systems engineering, radio frequency planning, software configuration, product training, installation, and onsite support. The extended warranty Ondas Networks sells provides a level of assurance beyond the coverage for defects that existed at the time of a sale or against certain types of covered damage. The extended warranty includes 1) factory hardware repair or replacement of the base station and remote radios, at our election, 2) software upgrades, bug fixes and new features of the radio software and network management systems ("NMS"), 3) deployment and network architecture support, and 4) technical support by phone and email. Ancillary service revenues are recognized at the point in time when those services have been provided to the customer and the performance obligation has been satisfied. The Company allocates the transaction price to the service and extended warranty based on the stand-alone selling prices of these performance obligations, which are stated in our contracts. Revenue for the extended warranty is recognized over time.

Development revenue is comprised primarily of non-recurring engineering service contracts to develop software and hardware applications for various customers. For Ondas Networks, a significant portion of this revenue is generated through four contracts with two customers whereby Ondas Networks is to develop such applications to interoperate within the customers' infrastructure. For these contracts, Ondas Networks and the customers work cooperatively, whereby the customers' involvement is to provide technical specifications for the product design, as well as, to review and approve the project progress at various markers based on predetermined milestones. The products developed are not able to be sold to any other customer and are based in part upon existing Ondas Networks and customer technology. Development revenue is recognized as services are provided over the life of the contract as Ondas Networks has an enforceable right to payment for services completed to date and there is no alternative use of the product.

If the customer contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. We enter into certain contracts within our service revenues that have multiple performance obligations, one or more of which may be delivered subsequent to the delivery of other performance obligations. We allocate the transaction price based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation. We determine standalone selling prices based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price considering available information such as market conditions and internally approved pricing guidelines related to the performance obligations. Revenue is then allocated to the performance obligations using the relative selling prices of each of the performance obligations in the contract.

Ondas Networks' payment terms vary and range from Net 15 to Net 30 days from the date of the invoices for product and services related revenue. Ondas Networks' payment terms for the majority of their development related revenue carry milestone-related payment obligations which span the contract life. For milestone-based contracts, the customer reviews the completed milestone and once approved, makes payment pursuant to the applicable contract.

American Robotics generates revenue by selling a data subscription service to its customers based on the information collected by the Scout System. The customer pays for a monthly, annual, or multi-annual subscription service to access the data collected by the Scout System. The customer accesses its data remotely through ScoutView™, AR's secure web portal for displaying, analyzing, and storing customer information and captured image data. American Robotics also generates development revenue from customers who are interested in customized solutions. American Robotics' payment terms vary and range from Net 30 to Net 60 days from the date of the invoices for product and services related revenue

Disaggregation of Revenue

The following tables present our disaggregated revenues by type of revenue and timing of revenue:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Type of Revenue				
Product revenue	$ 101,502	$ 45,358	$ 673,184	$ 134,358
Service and subscription revenue	173,375	20,693	318,247	43,010
Development revenue	356,612	215,987	655,474	2,155,363
Other revenue	-	1,291	-	2,794
Total revenue	$ 632,489	$ 283,329	$ 1,646,905	$ 2,335,525

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Timing of Revenue				
Revenue recognized point in time	$ 251,502	$ 44,649	$ 823,184	$ 157,202
Revenue recognized over time	380,987	238,680	823,721	2,178,323
Total revenue	$ 632,489	$ 283,329	$ 1,646,905	$ 2,335,525

Contract Assets and Liabilities

We recognize a receivable or contract asset when we perform a service or transfer a good in advance of receiving consideration. A receivable is recorded when our right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. A contract asset is recorded when our right to consideration in exchange for goods or services that we have transferred or provided to a customer is conditional on something other than the passage of time. We did not have any contract assets recorded at September 30, 2022 and December 31, 2021.

We recognize a contract liability when we receive consideration, or if we have the unconditional right to receive consideration, in advance of satisfying the performance obligation. A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration, or an amount of consideration is due from the customer. The table below details the activity in our contract liabilities during the nine months ended September 30, 2022, and the year ended December 31, 2021.

	Nine Months Ended September 30, 2022	Year Ended December 31, 2021
Balance at beginning of period	$ 512,397	$ 165,035
Additions, net	530,268	2,238,137
Transfer to revenue	(698,721)	(1,890,775)
Balance at end of period	$ 343,944	$ 512,397

Warranty Reserve

For our software and hardware products, we provide a limited one-year assurance-type warranty and for our development service, we provide no warranties. The assurance-type warranty covers defects in material and workmanship only. If a software or hardware component is determined to be defective after being tested by the Company within the one-year, the Company will repair, replace or refund the price of the covered hardware and/or software to the customer (not including any shipping, handling, delivery or installation charges). We estimate, based upon a review of historical warranty claim experience, the costs that may be incurred under our warranties and record a liability in the amount of such estimate at the time a product is sold. Factors that affect our warranty liability include the number of units sold, historical and anticipated rates of warranty claims, and cost per claim. We periodically assess the adequacy of our recorded warranty liability and adjust the accrual as claims data and historical experience warrants. The Company has assessed the costs of fulfilling its existing assurance-type warranties and has determined that the estimated outstanding warranty obligation on September 30, 2022, or December 31, 2021 are immaterial to the Company's financial statements.

Leases

Under Topic 842, operating lease expense is generally recognized evenly over the term of the lease. During the three months ended September 30, 2022, the Company's operating leases consisted of office space in Sunnyvale, CA (the "Gibraltar Lease"), Marlborough, MA (the "American Robotics Lease"), and Waltham, MA (the "Waltham Lease").

On January 22, 2021, we entered into a 24-month lease (effective April 1, 2021) with the owner and landlord (the "2021 Gibraltar Lease"), wherein the base rate is $45,000 per month, with a security deposit in the amount of $90,000.

On August 5, 2021, the Company acquired American Robotics and the American Robotics Lease, wherein the base rate is $15,469 per month, with an annual increase of 3% through January 2024, with a security deposit of $24,166. On August 19, 2021, American Robotics amended their lease to reduce their space to approximately 10,450 square feet. The amendment reduced their annual base rent to $8,802 per month, with an annual increase of 3% through January 2024.

On October 8, 2021, American Robotics entered into an 86-month operating lease for space in Waltham, Massachusetts. The Waltham Lease commenced on March 1, 2022, and is scheduled to terminate on April 30, 2029, wherein the base rate is $39,375 per month, increasing 3% annually, with a security deposit due in the amount of $104,040. These facilities also serve as Ondas' corporate headquarters.

We determine if an arrangement is a lease, or contains a lease, at the inception of the arrangement. If we determine the arrangement is a lease, or contains a lease, at lease inception, we then determine whether the lease is an operating lease or finance lease. Operating and finance leases result in recording a right-of-use ("ROU") asset and lease liability on our consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. For purposes of calculating operating lease ROU assets and operating lease liabilities, we use the non-cancellable lease term plus options to extend that we are reasonably certain to take. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Our leases generally do not provide an implicit rate. As such, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. This rate is generally consistent with the interest rate we pay on borrowings under our credit facilities, as this rate approximates our collateralized borrowing capabilities over a similar term of the lease payments. We have elected not to recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying assets. We have elected not to separate lease and non-lease components for any class of underlying asset.

Lease Positions as of September 30, 2022, and December 31, 2021

ROU lease assets and lease liabilities for our operating leases were recorded in the unaudited condensed consolidated balance sheet as follows:

	September 30, 2022	December 31, 2021
Assets:		
Operating lease assets	$ 3,182,266	$ 836,025
Total lease assets	$ 3,182,266	$ 836,025
Liabilities:		
Operating lease liabilities, current	$ 698,217	$ 550,525
Operating lease liabilities, net of current	2,571,353	241,677
Total lease liabilities	$ 3,269,570	$ 792,202

Future lease payments included in the measurement of lease liabilities on the unaudited condensed consolidated balance sheet as of September 30, 2022, for the following five years and thereafter are as follows:

Year Ending December 31,	Future lease payments
2022 (3 months)	280,324
2023	730,592
2024	508,208
2025	513,900
2026	529,320
Thereafter	1,297,740
Total	$ 3,860,084

Other Information

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating cash flows for operating leases	$ 598,304	$ 220,730
Weighted average remaining lease term (in years) – operating lease	5.87	2.00
Weighted average discount rate – operating lease	6.00%	12.06%

Net Loss Per Common Share

Basic net loss per share is computed by dividing net loss by the weighted average shares of common stock outstanding for each period. Diluted net loss per share is the same as basic net loss per share since we have net losses for each period presented.

The following potentially dilutive securities for the nine months ended September 30, 2022 have been excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive.

	2022
Warrants to purchase common stock	1,993,741
Options to purchase common stock	2,462,786
Restricted stock purchase offers	1,960,622
Total potentially dilutive securities	6,417,149

Concentration of Customers

Because we have only recently invested in our customer service and support organization, a small number of customers have accounted for a substantial amount of our revenue.

The table below sets forth the Company’s customers that accounted for greater than 10% of its revenues for the three- and nine-month periods ended September 30, 2022, and 2021, respectively:

	Three months ended September 30,		Nine months ended September 30,	
Customer	2022	2021	2022	2021
A	92%	67%	88%	34%
B	0%	25%	0%	66%

Customer A accounted for 95% of the Company’s accounts receivable balance on September 30, 2022.

Recently Adopted Accounting Pronouncements

In May 2021, the Financial Accounting Standards Board (“FASB”) issued accounting standards update (“ASU”) 2021-04—Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options, to clarify and reduce diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this ASU are effective for public and nonpublic entities for fiscal years beginning after December 15, 2021, and interim periods with fiscal years beginning after December 15, 2021. Early adoption was permitted, including adoption in an interim period. The adoption of this pronouncement had no impact on our accompanying consolidated financial statements.

Recently Issued Accounting Pronouncements

On June 30, 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2022-03, which (1) clarifies existing guidance when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and (2) introduces new disclosure requirements for equity securities subject to contractual sale restrictions. The ASU clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security. Instead, the contractual sale restriction is a characteristic of the reporting entity. Accordingly, an entity should not consider the contractual sale restriction when measuring the equity security's fair value. Additionally, the ASU clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently evaluating the effects of the adoption of ASU No. 2022-03 on its consolidated financial statements.

On September 29, 2022, FASB issued Accounting Standards Update (ASU) No. 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which enhances the transparency about the use of supplier finance programs for investors and other allocators of capital. Under the new ASU, a company that uses a supplier finance program in connection with the purchase of goods or services will be required to disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. ASU No. 2022-04 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2022, except for the roll forward of the supplier finance program obligations, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company is currently evaluating the effects of the adoption of ASU No. 2022-03 on its consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires contract assets and contract liabilities (i.e., deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers, as if it had originated the contracts. The new guidance creates an exception to the general recognition and measurement principles of ASC 805, Business Combinations. The new guidance should be applied prospectively and is effective for all public business entities for fiscal years beginning after December 15, 2022 and include interim periods. The guidance is effective for all other entities for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the effects of the adoption of ASU No. 2021-08 on its consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"), which simplifies an issuer's accounting for convertible instruments by reducing the number of accounting models that require separate accounting for embedded conversion features. ASU 2020-06 also simplifies the settlement assessment that entities are required to perform to determine whether a contract qualifies for equity classification and makes targeted improvements to the disclosures for convertible instruments and earnings-per-share ("EPS") guidance. This update will be effective for the Company's fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Entities can elect to adopt the new guidance through either a modified retrospective method of transition or a fully retrospective method of transition. The Company has elected to adopt the standard early using the modified retrospective method of transition with effect from January 1, 2022. The adoption had no impact on the consolidated financial statements.

Reclassification

Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year's presentation.

NOTE 3 – OTHER CURRENT ASSETS

Other current assets consist of the following:

	September 30, 2022	December 31, 2021
Prepaid insurance	$ 428,372	$ 1,026,212
Advance to vendors	437,352	-
Other prepaid expenses	778,245	423,398
Total other current assets	$ 1,643,969	$ 1,449,610

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	September 30, 2022	December 31, 2021
Vehicles	$ 149,916	$ 149,916
Computer equipment	348,408	183,869
Furniture and fixtures	461,352	141,053
Software	161,284	88,284
Leasehold improvements	2,038,443	37,401
Development equipment	288,121	56,275
Base stations	258,411	117,850
Drones	106,222	54,969
Construction in progress	1,144,015	627,044
Total property and equipment	4,956,172	1,456,661
Less: accumulated depreciation	(660,138)	(424,662)
Net property and equipment	$ 4,296,034	$ 1,031,999

Depreciation expenses for the three months ended September 30, 2022, and 2021 were $153,213 and $27,553, respectively. Depreciation expenses for the nine months ended September 30, 2022, and 2021 were $280,195 and $77,825, respectively.

NOTE 5 – GOODWILL AND BUSINESS ACQUISITION

We account for acquisitions in accordance with FASB ASC 805, “Business Combinations” (“ASC 805”), and goodwill in accordance with ASC 350, “Intangibles — Goodwill and Other” (“ASC 350”). The excess of the purchase price over the estimated fair value of net assets acquired in a business combination is recorded as goodwill.

American Robotics

On May 17, 2021, the Company entered into an Agreement and Plan of Merger (the “AR 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, and Reese Mozer, solely in his capacity as the representative of American Robotics’ Stockholders (as defined in the AR Agreement).

On August 5, 2021 (the “Closing Date”), the Company’s stockholders approved the issuance of shares of the Company’s common stock, including shares of common stock underlying Warrants (as defined below), in connection with the acquisition of American Robotics.

On the Closing Date, 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 AR Agreement, American Robotics stockholders and certain service providers 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 AR 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 AR 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 AR Agreement); and (iv) the cash release from the PPP Loan Escrow Amount (as defined in the AR 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 instalments commencing on the one-year anniversary of the Closing Date and shall have a term of ten years. 59,544 of the stock options were issued fully vested to employees who did not exercise their American Robotics options prior to the Closing Date and had no ongoing service requirements and therefore they were included in the purchase consideration. The remaining 151,494 stock options issued vest over four years and are contingent on ongoing employment by the employee and are recorded as compensation expense over the service period.

Also on the Closing Date, the Company entered into employment agreements and issued 1,375,000 restricted stock units (“RSUs”) under the Company’s incentive stock plan to key members of American Robotics’ management. These RSUs vest in equal installments on the next three anniversaries of the Closing Date and vesting is contingent on the individuals remaining employed by the Company. These RSUs are not included in purchase consideration and are expensed ratably over the service period. They were valued at the closing market price on the Closing Date. The compensation expense recognized in the three- and nine- month periods ended September 30, 2022 in respect of these restricted stock units was $897,965 and $2,656,782, respectively, and as of September 30, 2022 the unrecognized compensation expense was $6,588,333.

Lock-Up and Registration Rights Agreement

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 an aggregate of 2,583,826 shares of 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.

The following table summarizes the consideration paid for American Robotics and the final allocation of the purchase consideration to the estimated fair value of the assets acquired and liabilities assumed at the acquisition date.

Consideration:

Fair value of total consideration transferred	$	69,311,577
Fair value of assets acquired:		
Cash	$	920,011
Other current assets		148,043
Property and equipment		61,430
Intangible assets		26,180,000
Right of use asset		463,252
Other long-term assets		87,217
Total assets acquired		27,859,953
Fair value of liabilities assumed:		
Accounts payable		129,541
Deferred revenue		32,992
Accrued payroll and rent		42,617
Lease liabilities		447,827
Deferred tax liability		2,921,982
Total liabilities assumed		3,574,959
Total net assets acquired		24,284,994
Goodwill		45,026,583
Total	$	69,311,577

The intangible assets acquired include the trademarks, FAA waiver, developed technology, non-compete agreements, and customer relationships (see Note 6). The deferred tax liability represents the tax effected timing differences relating to the acquired intangible assets to the extent they are not offset by acquired deferred tax assets.

The goodwill represents the assembled workforce, acquired capabilities, and future economic benefits resulting from the acquisition. No portion of the goodwill is deductible for tax purposes.

Our results for the three- and nine- months ended September 30, 2022, include results from American Robotics. The following unaudited pro forma information presents the Company's results of operations as if the acquisition of American Robotics had occurred on January 1, 2021. The pro forma results do not purport to represent what the Company's results of operations actually would have been if the transactions had occurred on January 1, 2021 or what the Company's operating results will be in future periods.

	(Unaudited)	
	Three months ended September 30, 2021	Nine months ended September 30, 2021
Revenue, net	$ 294,149	$ 2,396,345
Net loss	$ (7,499,846)	$ (18,871,963)
Basic Earnings Per Share	$ (0.18)	$ (0.51)
Earnings Per Share Diluted	$ (0.18)	$ (0.51)

Airobotics

On August 4, 2022, the Company entered into an Agreement of Merger (the “AIRO Agreement”) with Talos Ltd. (or such other name as shall be approved by the Israeli Registrar of Companies), an Israeli company in formation as a wholly owned subsidiary of the Company (“Merger Sub”), and AIROBOTICS Ltd., an Israeli publicly traded company on the Tel Aviv Stock Exchange and a leading Israeli developer of autonomous unmanned aircraft systems and automated data analysis and visualization platforms (“Airobotics”).

The AIRO Agreement provides that, upon the terms and subject to the conditions set forth in the AIRO Agreement, and in accordance with the Companies Law 5759-1999 of the State of Israel (together with the rules and regulations thereunder), Merger Sub shall be merged with and into Airobotics, and Airobotics will continue as a wholly owned subsidiary of the Company (the “AIRO Merger”). At the closing of the AIRO Merger, upon the terms and subject to the conditions set forth in the AIRO Agreement, each ordinary share of Airobotics issued and outstanding immediately prior to the closing of the AIRO Merger (other than shares owned by Airobotics or its subsidiaries (dormant or otherwise) or by the Company or Merger Sub) shall be exchanged for and converted into the right to receive 0.16806 of a fully paid and nonassessable share of the Company common stock without interest and subject to applicable tax withholdings (“Merger Consideration”). All fractional shares of the Company common stock that would otherwise be issued to a holder of Airobotics ordinary shares as part of the Merger Consideration will be rounded up to the nearest whole share based on the total number of shares of the Company’s common stock to be issued to such holder of Airobotics ordinary shares.

Each of the Company, Merger Sub, and Airobotics has provided customary representations, warranties and covenants in the AIRO Agreement. The completion of the AIRO Merger is subject to various closing conditions, including (a) the requisite regulatory approvals being obtained; (b) the absence of any applicable order (whether temporary, preliminary or permanent) in effect which prohibits the consummation of the AIRO Merger; (c) the absence of any law of any governmental authority of competent jurisdiction prohibiting the consummation of the AIRO Merger; and (d) Airobotics obtaining the requisite stockholder approval. The AIRO Agreement contains customary termination rights for both the Company and Airobotics. Both the Company and Airobotics have the right to terminate the AIRO Agreement if the closing of the AIRO Merger does not occur on or before February 15, 2023.

The AIRO Merger is expected to close in the first quarter of 2023.

NOTE 6 – INTANGIBLE ASSETS

The components of intangible assets, all of which are finite lived, were as follows:

	September 30, 2022			December 31, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Life
Patents	$ 78,132	$ (21,261)	$ 56,971	$ 75,266	$ (13,077)	$ 62,189	10
Patents in process	105,485	-	105,485	89,767	-	89,767	N/A
Licenses	241,909	(59,616)	182,293	241,909	(41,471)	200,438	10
Trademarks	3,230,000	(372,491)	2,857,509	3,230,000	(130,242)	3,099,758	10
FAA waiver	5,930,000	(683,863)	5,246,137	5,930,000	(239,113)	5,690,887	10
Developed technology	23,270,614	(2,152,678)	21,117,936	16,120,000	(650,000)	15,470,000	10
Non-compete agreements	840,000	(840,000)	-	840,000	(338,710)	501,290	1
Customer relationships	60,000	(13,839)	46,161	60,000	(4,839)	55,161	5
	$ 33,756,140	$ (4,143,747)	$ 29,612,392	$ 26,586,942	$ (1,417,452)	$ 25,169,489	

Amortization expenses for the three months ended September 30, 2022, and 2021 were $904,051 and $662,622, respectively. Amortization expenses for the nine months ended September 30, 2022, and 2021 were $2,726,295 and $682,239, respectively.

We recognized losses on intellectual property amounting to $11,095 and $70,895 for the nine months ended September 30, 2022 and 2021, respectively.

On March 20, 2022, the Company entered into a Purchase Agreement to acquire the assets of Ardenna, Inc., a leading provider of image processing and machine learning software solutions for rail infrastructure monitoring and inspections. The consideration for the acquisition was $900,000 in cash and 780,000 shares of the Company’s common stock (the “Ardenna Consideration Shares”). In connection of the acquisition, the parties entered into a Registration Rights and Lock-Up Agreement, which required the Company to file a resale registration statement covering the resale of the Ardenna Consideration Shares no later than ninety (90) days after the closing date and restricted the holder from transferring the Ardenna Consideration Shares for 180 days from the closing date, subject to certain exceptions. On April 5, 2022, the Company completed the acquisition. As a result of this transaction, the Company recognized developed technology in the amount of $6,843,600. The Company filed the registration statement Form S-3 on July 1, 2022, and it was declared effective on July 15, 2022.

On August 31, 2022, the Company entered into the asset purchase agreement with Field of View LLC, a North Dakota limited liability company. The total purchase consideration consisted of $250,000 of cash payable in monthly instalments over twelve months, and $75,520 shares of the Company’s common stock, representing 16,000 shares (“FOV Consideration Shares”). The asset purchase agreement restricts the holder from transferring the FOV Consideration Shares for 180 days from the closing date, subject to certain exceptions.

The Company acquired computer and research and development equipment amounting to $18,506 and intangibles for developed technology for $307,014. As of September 30, 2022, the equity was issued in full and cash paid amounted to $41,667 the balance payable of $208,333 being accounted for as accrued purchase consideration included in accrued expenses and other current liabilities payable over twelve months

Estimated amortization expense for the next five years for the intangible assets currently being amortized is as follows:

Year Ending December 31,	Estimated Amortization
2022 (3 months)	838,701
2023	3,357,978
2024	3,357,702
2025	3,323,589
2026	3,250,525
Thereafter	15,483,897
Total	$ 29,612,392

NOTE 7 – LONG-TERM EQUITY INVESTMENT

On October 5, 2021, Ondas Holdings irrevocably subscribed and agreed to purchase 3,141,098 shares of Series A-1 Preferred Stock of Dynam.AI, Inc. (“Dynam”), a tech-enabled services provider for critical or complex artificial intelligence and machine learning projects, par value $0.00001 for the aggregate price of $500,000 representing subscription price of $0.15918 per share by way of a non-brokered private placement for approximately 11% ownership in Dynam. In addition to the equity investment, Ondas Holdings’ wholly owned subsidiary, American Robotics, entered into a development, services and marketing agreement with Dynam on October 1, 2021. The agreement allows American Robotics to expand and enhance its IP library and analytics capabilities with artificial intelligence using physics-based algorithms and allows Dynam to further the development of Vizlab™, Dynam’s proprietary AI/ML platform, an advanced developer toolkit for data scientists.

On July 15, 2022, Ondas Holdings irrevocably subscribed and agreed to purchase 3,357,958 shares of Series Seed Preferred Stock of Dynam for the aggregate price of $1,000,000 representing a subscription price of $0.2978 per share by way of a non-brokered private placement for approximately 8% ownership in Dynam. This brings Ondas Holdings investment in Dynam to 6,499,056 shares or approximately 19% ownership.

This long-term equity investment consists of an equity investment in a private company through preferred shares, which are not considered in-substance common stock, that is accounted for at cost, with adjustments for observable changes in prices or impairments, and is classified as long-term equity investment on our consolidated balance sheets with adjustments recognized in other (expense) income, net on our consolidated statements of operations. The Company has determined that the equity investment does not have a readily determinable fair value and elected the measurement alternative. Therefore, the equity investment’s carrying amount will be adjusted to fair value at the time of the next observable price change for the identical or similar investment of the same issuer or when an impairment is recognized. Each reporting period, the Company performs a qualitative assessment to evaluate whether the investment is impaired. The assessment includes a review of recent operating results and trends, recent sales/acquisitions of the investee securities, and other publicly available data. If the investment is impaired, the Company writes it down to its estimated fair value. As of September 30, 2022 and December 31, 2021 the long-term equity investment had a carrying value of $1,500,000.

Our CEO Eric Brock is a director of Dynam.

NOTE 8 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	September 30, 2022	December 31, 2021
Accrued payroll and other benefits	$ 1,075,730	$ 269,725
D&O insurance financing payable	134,058	719,313
Accrued professional fees	315,972	117,008
Other accrued expenses	337,052	43,861
Total accrued expenses and other current liabilities	$ 1,862,812	$ 1,149,907

NOTE 9 – SECURED PROMISSORY NOTES

Steward Capital Holdings LP

On March 9, 2018, we entered into a loan and security agreement (the "Agreement") with Steward Capital Holdings LP (the "Steward Capital") wherein Steward Capital made available to us a loan in the aggregate principal amount of up to $10,000,000 (the "Loan"). On March 9, 2018, the Company and Steward Capital, pursuant to the Agreement, entered into a Secured Term Promissory Note for $5,000,000, having a maturity date of September 9, 2019 ("Tranche A"). The Note bore interest at a per annum rate equal to the greater of (a) 11.25% or (b) 11.25% plus the Prime Rate, less 3.25%. The Agreement also included payments of $25,000 in loan commitment fees and $100,000, one percent (1%) of the funding in loan facility charges. The loan commitment fees and $50,000 in loan facility charges associated with Tranche A were recorded as debt discount and amortized over the life of the Loan. There was also an end of term charge of $250,000. The end of term charge was being recorded as accreted costs over the term of the Loan. The Note was secured by substantially all of the assets of the Company.

On October 9, 2018, the Company and Steward Capital, pursuant to the Agreement, entered into a second Secured Term Promissory Note for $5,000,000 having a maturity date of April 9, 2020 (the "Second Note") to complete the Agreement for $10,000,000. The Second Note bore interest at a per annum rate equal to the greater of (a) 11.25% or (b) 11.25% plus the Prime Rate, less 3.25%. Pursuant to the terms of the Agreement, the Company was required to pay a $50,000 loan facility charge.

On June 18, 2019, the Company and Steward Capital entered into a letter of agreement to amend the Agreement (the "First Amendment") to (i) extend and amend the maturity date, as defined in Section 1.1 of the Agreement, to read in its entirety "means September 9, 2020" (the "Maturity Date"); (ii) waive the repayment requirement to Steward Capital under Section 2.3 of the Agreement, in connection with the then proposed public offering of the Company as described in the Company's Registration Statement on Form S-1, as amended, originally filed on April 12, 2019, and (iii) waive the restriction by Steward Capital on the prepayment of Indebtedness under Section 7.4 of the Agreement. In connection with the waivers, extension and amendment, the Company agreed to pay to Steward Capital, upon the earlier of (a) the completion of the public offering as set forth in Section 2.3 of the Agreement and (b) ten (10) days following the Company's receipt of Steward's written demand therefor, a fee equal to three percent (3%) of the current outstanding principal balance of the Loan (as defined in the Agreement), neither of which have occurred at the time of this filing. The Company concluded that the modifications created by the First Amendment resulted in a troubled debt restructuring under Accounting Standard Codification—Debt (Topic 470) as it was determined that a concession was granted by Steward Capital. However, as the future payments to be made subsequent to the modification were greater than the carrying value at the time of the modification, no gain or loss was required to be recognized on the troubled debt restructuring. As the difference between the effective interest rate method and the straight-line method was deemed immaterial, the Company continued to amortize the deferred loan costs using the straight-line method over the remaining term of the Loan.

On October 28, 2019, the Company and Steward Capital entered into a letter of agreement to amend the Agreement, as amended (the "Second Amendment") wherein the parties agreed to (i) extend and amend the due date for all accrued and unpaid interest starting September 2, 2019 to the Maturity Date and (ii) extend and amend the due date for the 3% fee payable to Steward Capital in connection with the First Amendment and waiver dated June 2019 to be payable on the Maturity Date. In connection with the extensions and amendments, the Company issued Steward Capital 120,000 shares of the Company's common stock valued at $300,000 on December 15, 2019. The value was recorded as debt discount and amortized over the life of the Loan. The Company concluded that the modifications created by the Second Amendment resulted in a troubled debt restructuring under Accounting Standard Codification—Debt (Topic 470) as it was determined that a concession was granted by Steward Capital. However, as the future payments to be made subsequent to the modification were greater than the carrying value at the time of the modification, no gain or loss was required to be recognized on the troubled debt restructuring. As the difference between the effective interest rate method and the straight-line method was deemed immaterial, the Company continued to amortize the deferred loan costs using the straight-line method over the remaining term of the Loan.

The Agreement also contained covenants which included certain restrictions with respect to subsequent indebtedness, liens, loans and investments, asset sales and share repurchases and other restricted payments, subject to certain exceptions. The Agreement also contained financial reporting obligations. An event of default under the Agreement included, but was not limited to, breach of covenants, insolvency, and occurrence of any default under any agreement or obligation of the Company. In addition, the Agreement contained a customary material adverse effect clause which stated that in the event of a material adverse effect, an event of default would occur, and the lender had the option to accelerate and demand payment of all or any part of the loan. A material adverse effect was defined in the Agreement as a material change in our business, operations, properties, assets or financial condition or a material impairment of its ability to perform all obligations under its Agreement.

On September 4, 2020, the Company and Steward Capital entered into the Second Amendment to the Loan and Security Agreement (the "Second Amendment") to (i) extend the Maturity Date to September 9, 2021 (the "Extended Maturity Date") and agree to convert all accrued interest into the note, resulting in a new principal balance of $11,254,236, (ii) make all accrued and unpaid interest from September 9, 2020 through the date of maturity due on the Extended Maturity Date, (iii) on or before October 1, 2020, Company were to issue 40,000 shares of Company's stock to Steward valued at $9.75 per share, or total of $390,000 (issued on September 30, 2020) and (iv) make the fee of 3% of the outstanding principal balance of the loan, or $300,000 (as defined in the First Amendment) due at the updated maturity date of September 9, 2021. The Company concluded that the modifications created by the Second Amendment resulted in a troubled debt restructuring under Accounting Standard Codification—Debt (Topic 470) as it was determined that a concession was granted by Steward Capital. However, as the future payments to be made subsequent to the modification were greater than the carrying value at the time of the modification, no gain or loss was required to be recognized on the troubled debt restructuring.

On April 14, 2021, the Company requested Steward Capital's waiver of Section 7 (Covenants of Borrower), in connection with the acquisition of American Robotics, Inc ("American Robotics"). In connection with the waiver, the Company agreed to, upon consummation of the proposed acquisition, pay Steward Capital an additional $280,000, and upon the consummation of the proposed acquisition, Steward and the Company would amend the Agreement to modify the defined term "collateral" to include the intellectual property of American Robotics; however, the Company made a final payment to Steward Capital before closing of the acquisition.

On June 25, 2021, the Company made a final payment of $7,044,750 to Steward Capital, applying $6,574,278 to principal, $404,729 in interest and other fees, and $65,743 in early payment penalties. The agreement was terminated on July 1, 2021.

NOTE 10 – LONG-TERM NOTES PAYABLE

Convertible Promissory Notes

On September 14, 2017, the Company and an individual entered into a convertible promissory note with unilateral conversion preferences by the individual (the "Convertible Promissory Note"). On July 11, 2018, the Company's Board approved certain changes to the Convertible Promissory Note wherein the conversion feature was changed from unilateral to mutual between the individual and the Company.

The Company may at any time on or after a qualified public offering convert any unpaid repayment at the IPO conversion price. The conversion price is the lesser of the (i) price per share of Common Stock sold in the Qualified Public Offering, discounted by 20%, and (ii) the price per share of Common Stock based on a pre-money Company valuation of $50 million on a Fully Diluted Basis.

On both September 30, 2022, and December 31, 2021, the total outstanding balance of the Convertible Promissory Note was $300,000. The maturity date of the Convertible Promissory Note is based on the payment of 0.6% of quarterly gross revenue until 1.5 times the amount of the Convertible Promissory Note is paid. Accrued interest on September 30, 2022, and December 31, 2021, was $38,481 and $40,152, respectively. Interest expense for the three and nine months ended September 30, 2022, was $3,750 and $11,250, respectively. Interest expense for the three and nine months ended September 30, 2021, was $11,250 and $33,750, respectively.

Paycheck Protection Program Loan

On May 4, 2020, the Company applied for a loan pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), as administered by the U.S. Small Business Administration (the “SBA”). The loan, in the principal amount of $666,091 (the “PPP Loan”), was disbursed by Wells Fargo Bank, National Association (“Lender”) on May 6, 2020, pursuant to a Paycheck Protection Program Promissory Note and Agreement (the “Note and Agreement”).

The program was later amended by the Paycheck Protection Flexibility Act of 2020 whereby debtors were granted a minimum maturity date of the five-year anniversary of the funding date and a deferral of ten months from the end of the covered period. The PPP Loan bore interest at a fixed rate of 1.00% per annum. Monthly principal and interest payments, less the amount of any potential forgiveness (discussed below), were to commence after the sixteen-month anniversary of the funding date. The Company did not provide any collateral or guarantees for the PPP Loan, nor did the Company pay any facility charge to obtain the PPP Loan. The Note and Agreement provided for customary events of default, including those relating to failure to make payment, bankruptcy, breaches of representations and material adverse effects. The Company could prepay the principal of the PPP Loan at any time without incurring any prepayment charges.

All or a portion of the PPP Loan could be forgiven by the SBA upon application to the Lender by the Company within 10 months after the last day of the covered period. The Lender would have 90 days to review borrower’s forgiveness application and the SBA had an additional 60 days to review the Lender’s decision as to whether the borrower’s loan could be forgiven. Under the CARES Act, loan forgiveness was available for the sum of documented payroll costs, covered rent payments, and covered utilities, and certain covered mortgage interest payments during the twenty-four-week period beginning on the date of the first disbursement of the PPP Loan. For purposes of the CARES Act, payroll costs excluded compensation of an individual employee earning more than $100,000, prorated annually. Not more than 40% of the forgiven amount could be for non-payroll costs. Forgiveness was reduced if full-time headcount declines, or if salaries and wages for employees with salaries of $100,000 or less annually were reduced by more than 25%. On May 4, 2021, the Company submitted an application to the lender with supporting detail requesting forgiveness of the loan. On May 26, 2021, the Company received full forgiveness for both the principal and accrued interest, which was included in other income on the Company’s accompanying consolidated statements of operations.

NOTE 11 – STOCKHOLDERS’ EQUITY

Common Stock

On September 30, 2022, the Company had 116,666,667 shares of common stock, par value $0.0001 (the “Common Stock”), authorized for issuance, of which 42,682,335 shares of our Common Stock were issued and outstanding.

Preferred Stock

At September 30, 2022 and December 31, 2021, the Company had 10,000,000 shares of preferred stock, par value $0.0001, authorized, of which 5,000,000 shares are designated as Series A Convertible Preferred Stock (“Series A Preferred”) and 5,000,000 shares are non-designated (“blank check”) shares. As of September 30, 2022, and December 31, 2021, the Company had no preferred stock outstanding.

The Company evaluated its Series A Preferred to determine if those instruments or embedded components of those instruments qualify as derivatives to be accounted for separately. The Preferred Shares include an embedded contingent automatic conversion option which is bifurcated from the Preferred Shares and recorded separately as a derivative liability, creating a discount to the Preferred Shares. The fair value of the embedded derivative is recorded as a liability and marked-to-market each balance sheet date, with the change in fair value recorded as other income (expense) in the Company’s accompanying consolidated statement of operations. The discount arising from the identification of the embedded conversion feature will not be accreted or amortized as the Series A Preferred has been classified in equity.

Form S-3

On January 29, 2021, the Company filed a shelf Registration Statement on Form S-3 for up to $150,000,000 with the SEC (the "Form S-3") for shares of its Common Stock; shares of its preferred stock, which the Company may issue in one or more series or classes; debt securities, which the company may issue in one or more series; warrants to purchase its Common Stock, preferred stock or debt securities; and units. The Form S-3 was declared effective by the SEC on February 5, 2021.

The Form S-3 was expanded to cover $11,696,000 of additional securities on a Registration Statement on Form S-3MEF, dated October 26, 2022, filed with the SEC pursuant to Rule 462(b) of the Securities Act of 1933, as amended (the "Securities Act").

2021 Public Offering

On June 8, 2021, the Company entered into an underwriting agreement (the "2021 Underwriting Agreement") with Oppenheimer & Co. Inc. ("Oppenheimer"), acting as the representative for the underwriters identified therein (the "Underwriters"), relating to the Company's public offering (the "2021 Public Offering") of 6,400,000 shares (the "2021 Firm Shares") of the Company's Common Stock. Pursuant to the 2021 Underwriting Agreement, the Company also granted the Underwriters a 30-day option to purchase up to an additional 960,000 shares of Common Stock (the "2021 Option Shares," and together with the 2021 Firm Shares, the "2021 Shares") to cover over-allotments.

The Underwriters agreed to purchase the 2021 Firm Shares from the Company with the option to purchase the 2021 Option Shares at a price of $6.51 per share. The 2021 Shares were offered, issued, and sold pursuant to the Form S-3 and accompanying prospectus filed with the SEC under the Securities Act..

On June 11, 2021, pursuant to the 2021 Public Offering, the Company issued 7,360,000 shares of Common Stock (2021 Firm Shares and 2021 Option Shares) at a public price of $7.00 for net proceeds to the Company of $47,523,569 after deducting the underwriting discount and offering fees and expenses payable by the Company.

The Underwriting Agreement included customary representations, warranties, and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and the Underwriters, including for liabilities under the Securities Act, other obligations of the parties and termination provisions. The representations, warranties and covenants contained in the 2021 Underwriting Agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to the agreement and were subject to limitations agreed upon by the contracting parties.

The table below details the net proceeds of the 2021 Public Offering.

Gross Proceeds:		
Initial Closing	$	44,800,000
Over-allotment Closing		6,720,000
		51,520,000
Offering Costs:		
Underwriting discounts and commissions		(3,806,400)
Other offering costs		(190,031)
Net Proceeds	$	47,523,569

The Company will use the net proceeds of the 2021 Public Offering for working capital and general corporate purposes, which includes further technology development, increased spending on marketing and advertising and capital expenditures necessary to grow the Ondas Holdings business.

ATM Offering

On March 22, 2022, the Company, entered into an Equity Distribution Agreement (the "ATM Agreement") with Oppenheimer. (the "Sales Agent"). Pursuant to the terms of the ATM Agreement, the Company may offer and sell (the "ATM Offering") from time to time through the Sales Agent, as the Company's sales agent, up to $50 million of shares Common Stock, (the "ATM Shares"). Sales of the ATM Shares, if any, may be made in sales deemed to be "at the market offerings" as defined in Rule 415 promulgated under the Securities Act. The Sales Agent is not required to sell any specific number or dollar amount of ATM Shares, but will act as a sales agent using commercially reasonable efforts consistent with its normal trading and sales practices and applicable state and federal laws, rules, and regulations and the rules of the Nasdaq Stock Market, on mutually agreed terms between the Sales Agent and the Company. The Sales Agent will receive from the Company a commission of 3.0% of the gross proceeds from the sales of ATM Shares by the Sales Agent pursuant to the terms of the Agreement. Net proceeds from the sale of the ATM Shares will be used for general corporate purposes.

On October 26, 2022, Ondas entered into Amendment No. 1 to the Equity Distribution Agreement, dated March 22, 2022 ("Amendment No. 1"), the Sales Agent. Amendment No. 1 provides for the reduction of the aggregate offering price from up to $50 million to up to $40 million of shares of Common Stock.

The offering of ATM Shares pursuant to the ATM Agreement will terminate upon the earliest of (i) the sale of all ATM Shares subject to the ATM Agreement, and (ii) the termination of the ATM Agreement pursuant to its terms.

The ATM Shares are issued pursuant to the Form S-3 and the prospectus supplement thereto dated March 22, 2022.

During the quarter ended June 30, 2022 the Company sold 852,679 ATM Shares through the Sales Agent at an average price of $7.29 with the net proceeds of $6.03 million. In connection with the sale of these ATM Shares, the compensation paid by the Company to the Sales Agent was $225,091.

During the quarter ended September 30, 2022 the Company sold 11,995 ATM Shares through the Sales Agent at an average price of $5.62 with the net proceeds of $65 thousand. In connection with the sale of these ATM Shares, the compensation paid by the Company to the Sales Agent was $2,025.

Warrants to Purchase Common Stock

We use the Black-Scholes-Merton option model (the “Black-Scholes Model”) to determine the fair value of warrants to purchase Common Stock of the Company. The Black-Scholes Model is an acceptable model in accordance with U.S GAAP. The Black-Scholes Model requires the use of a number of assumptions including volatility of the stock price, the weighted average risk-free interest rate, and the weighted average term of the warrant.

The risk-free interest rate assumption is based upon observed interest rates on zero coupon U.S. Treasury bonds whose maturity period is appropriate for the term of the warrants. Estimated volatility is a measure of the amount by which our stock price is expected to fluctuate each year during the expected life of the award. Our estimated volatility is an average of the historical volatility of peer entities whose stock prices were publicly available over a period equal to the expected life of the awards. We used the historical volatility of peer entities due to the lack of sufficient historical data of our stock price.

As of September 30, 2022, we had warrants outstanding to purchase an aggregate of 1,993,741 shares of Common Stock with a weighted average contractual remaining life of approximately 4 years, and a weighted average exercise price of $7.72 per share. 1,451,718 warrants expired in the month of September 2022. No new warrants were issued or exercised in the nine months ended September 30, 2022.

Equity Incentive Plan

In 2018, our stockholders adopted the 2018 Equity Incentive Plan (the “2018 Plan”) pursuant to which 3,333,334 shares of our Common Stock has been reserved for issuance to employees, including officers, directors and consultants. The 2018 Plan shall be administered by the Board, provided however, that the Board may delegate such administration to the compensation committee (the “Committee”). Subject to the provisions of the 2018 Plan, the Board and/or the Committee shall have authority to grant, in its discretion, incentive stock options, or non-statutory options, stock awards or restricted stock purchase offers (“Equity Awards”).

At the 2021 Annual Meeting of Stockholders of the Company held on November 5, 2021, stockholders of the Company approved, among other matters, the Ondas Holdings Inc. 2021 Stock Incentive Plan (the “Plan”). The Compensation Committee of the Board of the Company adopted the Plan on September 30, 2021, subject to stockholder approval. The purpose of the Plan is to enable the Company to attract, retain, reward, and motivate eligible individuals by providing them with an opportunity to acquire or increase a proprietary interest in the Company and to incentivize them to expend maximum efforts for the growth and success of the Company, so as to strengthen the mutuality of the interests between the eligible individuals and the shareholders of the Company. The Plan provides for the issuance of awards including stock options, stock appreciation rights, restricted stock, restricted stock units, and performance awards. The Plan provides for a reserve of 6,000,000 shares of the Company’s common stock.

Stock Options to Purchase Common Stock

On August 1, 2022, the Compensation Committee of the Board granted an aggregate of 86,500 stock options to purchase shares of the Company’s Common Stock to certain employees. The stock options vest over a four-year period and are contingent on ongoing employment. They are included in compensation expenses.

On May 9, 2022, the Compensation Committee of the Board granted an aggregate of 216,500 stock options to purchase shares of the Company’s Common Stock to certain employees. The stock options vest over a four-year period and are contingent on ongoing employment. They are included in compensation expenses.

On March 18, 2022, the Compensation Committee of the Board granted an aggregate of 135,000 stock options to purchase shares of the Company’s Common Stock to certain employees. The stock options vest over a four-year period and are contingent on ongoing employment. They are included in compensation expenses.

On March 18, 2022, the Compensation Committee of the Board granted an aggregate of 65,000 stock options to purchase shares of the Company’s Common Stock to certain non-employees. The stock options vest on December 31, 2022. They are included in compensation expenses.

On March 18, 2022, the Compensation Committee of the Board granted an aggregate of 210,000 performance-based stock options to purchase shares of the Company’s Common Stock to two non-employees that are subject to the attainment of pre-established performance conditions in the year ending December 31, 2022. The actual number of shares subject to the award is determined at the end of the performance period and may range from zero to 100% of the target shares granted depending upon the terms of the award. Compensation expenses related to these awards is recognized when the performance conditions are satisfied.

On February 7, 2022, the Compensation Committee of the Board granted an aggregate of 1,248,000 stock options to purchase shares of the Company's Common Stock to certain employees. The stock options vest over a two-year period and are contingent on ongoing employment. They are included in compensation expenses.

The assumptions used in the Black-Scholes Model are set forth in the table below.

	Nine months ended, September 30, 2022
Stock price	$ 4.57-6.55
Risk-free interest rate	1.82-3.00%
Volatility	46.42-56.81%
Expected life in years	2.9-6.3
Dividend yield	0.00%

A summary of our Option activity and related information follows:

	Number of Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance on January 1, 2022	687,448	$ 6.79	8.2
Granted	1,658,000	$ 5.12	9
Expired	(3,015)	-	
Terminated			
Canceled			
Balance on March 31, 2022	2,342,433	$ 5.62	8.6
Granted	216,500	6.79	9.9
Exercised			
Terminated	(131,090)	2.09	
Canceled			
Balance on June 30, 2022	2,427,843	5.90	8.7
Granted	86,500	4.58	9.8
Exercised	(31,057)	2.09	
Terminated	(20,500)	4.68	
Canceled			
Balance on September 30, 2022	2,462,786	5.91	8.7
Vested and Exercisable at September 30, 2022	530,286	$ 7.86	7.4

At September 30, 2022, total unrecognized estimated compensation expense related to non-vested options issued prior to that date was $3,025,086 which is expected to be recognized over a weighted average period of 3.99 years. For the three months ended September 30, 2022, and 2021, $446,151 and $536,797, respectively, was recorded in stock-based compensation in the accompanying unaudited condensed consolidated financial statements. For the nine months ended September 30, 2022, and 2021, $1,313,182 and $824,315, respectively, was recorded in stock-based compensation in the accompanying unaudited condensed consolidated financial statements.

Restricted Stock Units

On May 9, 2022, the Compensation Committee approved the grant of 13,900 restricted stock units to three employees. The restricted stock units vest in two successive equal annual installments with the first vesting date commencing on the first anniversary of the award date and are contingent on continuing employment. The compensation expense recognized in the three- and nine-months ended September 30, 2022, in respect of these restricted stock units was $10,125 and $15,848, and as of September 30, 2022, the unrecognized compensation expense was $64,515.

On March 22, 2022, the Compensation Committee approved the grant of 14,800 restricted stock units to an employee. The restricted stock units vest in four successive equal annual installments with the first vesting date commencing on the first anniversary of the award date and are contingent on continuing employment. The compensation expense recognized in the three- and nine-months ended September 30, 2022, in respect of these restricted stock units was $6,701 and $13,984, and as of September 30, 2022 the unrecognized compensation expense was $92,428.

On November 5, 2021, the Compensation Committee approved the grants of 6,362 restricted stock units for each of Ondas' directors (Messrs. Cohen, Reisfield, Silverman, Seidl, Bushey and Sood). Each restricted stock unit represents a contingent right to receive one share of common stock of the Company. These restricted stock units vest in four successive equal quarterly installments with the first vesting date commencing on the first day of the next calendar quarter, provided that such director is a director of the Company on the applicable vesting dates. The compensation expense recognized in the three- and nine-months ended September 30, 2022 in respect of these restricted stock units was $90,150 and $271,276, and as of September 30, 2022 the unrecognized compensation expense was $91,349.

On August 5, 2021, the Company entered into employment agreements and awarded 1,375,000 restricted stock units pursuant to the 2018 Plan to key members of American Robotics' management. Each restricted stock unit represents a contingent right to receive one share of common stock of the Company. The restricted stock units vest in three successive equal annual installments with the first vesting date commencing on the first anniversary of the award date and are contingent on continuing employment. The compensation expense recognized in the three- and nine-months ended September 30, 2022 in respect of these restricted stock units was $897,965 and $2,656,782, and as of September 30, 2022 the unrecognized compensation expense was $6,588,333.

On January 25, 2021, the Compensation Committee approved the following grants: (a) for Messrs. Cohen, Reisfield and Silverman (i) 5,000 restricted stock units pursuant to the 2018 Plan, and (b) for Mr. Seidl and Ms. Sood (i) 5,000 restricted stock units pursuant to the 2018 Plan, and (ii) 10,000 restricted stock units pursuant to the 2018 Plan. Each restricted stock unit represents a contingent right to receive one share of common stock of the Company. The 5,000 restricted stock units granted to each of Messrs. Cohen, Reisfield, Silverman and Seidl and Ms. Sood vest in four successive equal quarterly installments with the first vesting date commencing on the first day of the next calendar quarter, provided that such director is a director of the Company on the applicable vesting dates. The 10,000 restricted stock units granted to Mr. Seidl and Ms. Sood vest in eight successive equal quarterly installments with the first vesting date commencing on the first day of the next calendar quarter, provided that such director is a director of the Company on the applicable vesting dates. All restricted stock units granted to these directors shall vest in full immediately upon a change in control. The Company recognized stock-based compensation of $32,061 and $95,661 for the three- and nine-months ended September 30, 2022. As of September 30, 2022, the unrecognized compensation expense was $32,410.

The Company recognizes restricted stock unit expense over the period of vesting or period that services will be provided. Compensation associated with shares of Common Stock issued or to be issued to consultants and other non-employees is recognized over the expected service period beginning on the measurement date, which is generally the time the Company and the service provider enter into a commitment whereby the Company agrees to grant shares in exchange for the services to be provided.

The following is a summary of restricted stock unit activity for the three- and nine-months ended September 30, 2022:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance on January 1, 2022	1,931,922	$ 6.57
Granted	14,800	$ 7.19
Vested	(12,043)	10.16
Unvested balance on March 31, 2022	1,928,429	$ 6.54
Granted	13,900	5.78
Vested	(512,043)	2.97
Unvested balance on June 30, 2022	1,430,286	7.80
Granted	-	-
Vested	(470,376)	7.84
Unvested balance on September 30, 2022	959,910	7.78
Vested but not issued	1,000,712	5.39

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Development contract

On August 29, 2022, the Company entered into a contract requiring 24 monthly payments, of which the first twelve months are noncancelable, to receive both 1) development services related to the advancement of a "detect and avoid" solution for the Scout System™, and 2) a long-term license for use of the developed technology. As of September 30, 2022, future payments due within the next twelve months related to noncancelable commitments under this contract are $4,995,833.

Legal Proceedings

We may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. There are no such loss contingencies that are included in the financial statements as of September 30, 2022.

NOTE 13 – SEGMENT INFORMATION

Operating segments are defined as components of an entity for which discrete financial information is available and is regularly reviewed by the CODM in making decisions regarding resource allocation and performance assessment. The Company's CODM is its Chief Executive Officer. The Company determined it has two reportable segments: Ondas Networks and American Robotics as the CODM reviews financial information for these two businesses separately The Company has no inter-segment sales. Our segment structure presented below represents a change from the prior year for the inclusion of our American Robotics segment, which the Company acquired on August 5, 2021. The following table presents segment information for three- and nine-months ended September 30, 2022:

	Nine Months Ended September 30, 2022		
	Ondas Networks	American Robotics	Total
Revenue, net	$ 1,453,658	$ 193,247	$ 1,646,905
Depreciation and amortization	459,234	3,180,366	3,639,600
Interest expense	22,798	11,547	34,345
Stock based compensation	926,051	3,440,683	4,366,734
Net loss	(10,484,692)	(24,495,473)	(34,980,165)
Goodwill	-	45,026,583	45,026,583
Total assets	$ 20,032,196	$ 82,983,786	$ 103,015,982

	Three Months Ended September 30, 2022		
	Ondas Networks	American Robotics	Total
Revenue, net	$ 583,113	$ 49,375	$ 632,489
Depreciation and amortization	158,557	1,131,398	1,289,955
Interest expense	5,978	2,227	8,205
Stock based compensation	116,808	1,366,347	1,483,155
Net loss	(3,848,541)	(9,729,800)	(13,578,341)
Goodwill	-	45,026,583	45,026,583
Total assets	$ 20,032,196	$ 82,983,786	$ 103,015,982

NOTE 14 – INCOME TAXES

The Company had a net deferred tax asset of $14.5 million as of December 31, 2021, including a tax benefit from approximately $79 million of net operating loss carry-forwards of $17.6 million. A valuation allowance of $14.5 million was provided against this asset resulting in deferred assets, net of valuation allowance of $0.

In assessing the realizability of deferred tax assets, including the net operating loss carry forwards, the Company assesses the positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize its existing deferred tax assets. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period when those temporary differences become deductible. Based on its assessment, the Company has provided a full valuation allowance against its deferred tax assets since their future utilization remains uncertain at this time.

In accordance with Section 382 of the Internal Revenue Code, the usage of the Company's net operating loss carry forwards could be limited in the event a change of control has occurred. As of December 31, 2021, the Company completed an analysis and determined that there were multiple ownership changes. Provided sufficient taxable income is generated the annual base limitation plus increased limitation calculated pursuant to IRS Notice 2003-65 will allow the Company to utilize all existing losses within the carryover periods.

As of September 30, 2022 and December 31, 2021, management does not believe the Company has any material uncertain tax positions that would require it to measure and reflect the potential lack of sustainability of a position on audit in its financial statements. The Company will continue to evaluate its uncertain tax positions in future periods to determine if measurement and recognition in its financial statements is necessary. The Company does not believe there will be any material changes in its unrecognized tax positions over the next year.

NOTE 15 – RELATED PARTY TRANSACTIONS

Between June 2, 2021 and December 31, 2020, we accrued $115,385 for salary owed to Thomas V. Bushey, then President of the Company. On January 19, 2021, Mr. Bushey waived the accrued payroll amounts in the amount of $115,385. Pursuant to the terms of a Separation Agreement and General Release (the "Separation Agreement") dated January 19, 2021 (the "Effective Date"), between Mr. Bushey and the Company, Mr. Bushey agreed to waive his entitlement to accrued salary in the amount of $125,256 and accrued vacation in the amount of $9,846 as of the Effective Date. At the time of Mr. Bushey's resignation as President in January 2021, Mr. Bushey had the right to receive 500,000 RSU Shares (375,000 vested as of December 31, 2020 and 125,000 of which the Compensation Committee accelerated vesting), which will be issued by December 31, 2022. The remaining 500,000 RSU Shares were canceled. As part of the Separation Agreement, Mr. Bushey and the Company entered into a Consulting Agreement dated January 19, 2021 (the "Consulting Agreement"). Pursuant to the Consulting Agreement, Mr. Bushey provided services to the Company at the direction of the Company's Chief Executive Officer. The Consulting Agreement terminated on July 19, 2021. Mr. Bushey was paid $7,500 per month for these services.

NOTE 16 – SUBSEQUENT EVENTS

October 2022 Note Offering

On October 26, 2022, Ondas entered into a placement agent agreement (the "Placement Agent Agreement") with Oppenheimer, as the sole placement agent relating to the Company's sale and issuance to selected institutional investors (the "Investors") in a registered direct offering of 3% senior convertible notes due 2023 in the aggregate original principal amount of $34.5 million (the "Notes"). The Notes have an original issue discount of thirteen percent (13%) resulting in gross proceeds to the Company of $30.0 million. The Notes were sold pursuant to the terms of a Securities Purchase Agreement, dated October 26, 2022 (the "SPA"), between Ondas and each investor in connection with this offering (the "Notes Offering"). Upon Ondas' filing of an additional prospectus supplement, indenture and supplemental indenture, if elected by the initial purchasers of Notes, we may consummate additional closings of up to an additional $34.5 million in aggregate principal amount of 3% senior convertible notes due two years after the date of issuance pursuant to the SPA. Up to 16,235,294 shares of the Company's common stock (the "Shares") are issuable from time to time upon conversion or otherwise under the Notes (including shares of common stock that may be issued as interest in lieu of cash payments). The Notes and Shares are being offered pursuant to the Form S-3, and a registration statement on Form S-3 (Registration No. 333-268014) pursuant to Rule 462(b) under the Securities Act of 1933, as amended, which was effective immediately upon filing. Oppenheimer served as the sole placement agent for the transaction pursuant to the terms of the Placement Agent Agreement. Under the terms of the Placement Agent Agreement, we paid our placement agent a cash fee equal to 5.0% of the gross proceeds in connection with the Notes Offering. The Notes Offering closed on October 28, 2022. The net amount of proceeds to Ondas from the Notes Offering after deducting the placement agent's fees and offering expenses was approximately $27,750,000.

202,711 shares of the Company's common stock were issued to the investors as the first monthly payment on the Notes on November 1, 2022.

Amendment to Equity Distribution Agreement

On October 26, 2022, Ondas entered into, ("Amendment No. 1"), with Oppenheimer, as sales agent. Amendment No. 1 provides for the reduction of the aggregate offering price from up to $50 million to up to $40 million of shares of the Company's common stock.

Amendments to Airobotics Agreements

On September 20, 2022, Airobotics and the Company entered into a loan agreement (the "Loan Agreement"), according to which, commencing from October 3, 2022, the Company provided Airobotics with credit of up to $1.5 million, which will be utilized for the purpose of financing Airobotics' ongoing activities, subject to customary conditions, including the delivery of documents and standard approvals of the Company. The Loan Agreement was amended on October 30,2022 to increase the available credit to $2.0 million. The primary purpose of the increase is to fund inventory for known customer demand Airobotics has borrowed $1.75 million under the Loan Agreement.

On November 13, 2022, Ondas and Airobotics entered into an amendment to the Loan Agreement, as amended, changing the maturity date to February 15, 2023.

Also, on November 13, 2022, Ondas and Airobotics entered into an amendment to the Merger Agreement changing the termination date to February 15, 2023.

Management has evaluated subsequent events as of November 14, 2022, the date the consolidated financial statements were available to be issued according to the requirements of ASC topic 855.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

The following discussion and analysis provide information which our management believes to be relevant to an assessment and understanding of the results of operations and financial condition of Ondas Holdings Inc. ("Ondas," "we" or the "Company"). This discussion should be read together with our condensed consolidated financial statements and the notes included therein, which are included in this Quarterly Report on Form 10-Q (the "Report"). This information should also be read in conjunction with the information contained in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission (the "SEC") on March 22, 2022, including the audited consolidated financial statements and notes included therein as of and for the year ended December 31, 2021 ("2021 Form 10-K"). This discussion contains forward-looking statements that involve risks and uncertainties. For a description of factors that may cause our actual results to differ materially from those anticipated in these forward-looking statements, please refer to the below section of this Report titled "Cautionary Note Regarding Forward-Looking Statements." The reported results will not necessarily reflect future results of operations or financial condition.

Overview

Ondas Holdings is a leading provider of private wireless, drone, and automated data solutions through its wholly owned subsidiaries Ondas Networks Inc. ("Ondas Networks") and American Robotics, Inc. ("American Robotics" or "AR"). Ondas Networks and American Robotics together provide users in rail, energy, mining, agriculture, and critical infrastructure markets with improved connectivity, and data collection capabilities and automated decision making to improve operations. Ondas operates these two subsidiaries as separate business segments, and the following is a discussion of each segment.

Ondas Networks Segment

Ondas Networks provides wireless connectivity solutions enabling mission-critical Industrial Internet applications and services. We refer to these applications as the Mission-Critical Internet of Things ("MC-IoT"). Our wireless networking products are applicable to a wide range of MC-IoT applications, which are most often located at the very edge of large industrial networks. These applications require secure, real-time connectivity with the ability to process large amounts of data at the edge of large industrial networks. Such applications are required in all of the major critical infrastructure markets, including rail, electric grids, drones, oil and gas, and public safety, homeland security and government, where secure, reliable and fast operational decisions are required in order to improve efficiency and ensure a high degree of safety and security.

We design, develop, manufacture, sell and support FullMAX, our patented, Software Defined Radio ("SDR") platform for secure, licensed, private, wide-area broadband networks. Our customers install FullMAX systems in order to upgrade and expand their legacy wide-area network infrastructure. Our MC-IoT intellectual property has been adopted by the Institute of Electrical and Electronics Engineers ("IEEE"), the leading worldwide standards body in data networking protocols, and forms the core of the IEEE 802.16s standard. Because standards-based communications solutions are preferred by our mission-critical customers and ecosystem partners, we have taken a leadership position in IEEE as it relates to wireless networking for industrial markets. As such, management believes this standards-based approach supports the adoption of our technology across a burgeoning ecosystem of global partners and end markets.

Our software-based FullMAX platform is an important and timely upgrade solution for privately-owned and operated wireless wide-area networks, leveraging Internet Protocol-based communications to provide more reliability and data capacity for our mission-critical infrastructure customers. We believe industrial and critical infrastructure markets throughout the globe have reached an inflection point where legacy serial and analog based protocols and network transport systems no longer meet industry needs. In addition to offering enhanced data throughput, FullMAX is an intelligent networking platform enabling the adoption of sophisticated operating systems and equipment supporting next-generation MC-IoT applications over wide field areas. These new MC-IoT applications and related equipment require more processing power at the edge of large industrial networks and the efficient utilization of network capacity and scarce bandwidth resources which can be supported by the "Fog-computing" capability integrated in our end-to-end network platform. Fog-computing utilizes management software to enable edge compute processing and data and application prioritization in the field enabling our customers more reliable, real-time operating control of these new, intelligent MC-IoT equipment and applications at the edge.

We sell our products and services globally through a direct sales force and value-added sales partners to critical infrastructure providers including major rail operators, commercial and industrial drone operators, electric and gas utilities, water and wastewater utilities, oil and gas producers and pipeline operators, and for other critical infrastructure applications in areas such as homeland security and defense, and transportation. We continue to develop our value-added reseller relationships which today include a major strategic partnership with Siemens Mobility ("Siemens") for the development of new types of wireless connectivity for the global rail markets

The Global Rail Markets and our Siemens Mobility Partnership

The North American Rail Network is vast in scale, consisting of 140,000 miles of track, 25,000 locomotives, and 1.6 million railcars. Within this large footprint, we believe there are 200,000 highway crossings, with at least 65,000 of the crossings equipped with electronic systems today, a number which is expected to increase in the coming years. We believe a significant portion of the communications infrastructure has been in operation for more than 20 years and now requires a technological upgrade to support new applications and increased capacity requirements. Our MC-IoT platform offers an excellent migration path for these applications. We believe the Class I Rails value the ability of Ondas' frequency-agnostic SDR architecture to enable a substantial capacity increase utilizing the railroad's existing wireless infrastructure and dedicated Federal Communication Commission ("FCC") licensed radio frequencies, as well as the flexibility to adapt to and take advantage of future changes in spectrum availability. The Class 1 Rails operate four separate nationwide networks, all of which are addressable by our FullMAX platform. Ondas is targeting the 900 MHz network for the initial adoption of its wireless platform by the Class 1 Rails, who were awarded greenfield spectrum in the 900 MHz band by the FCC in 2020.

Siemens Partnership, ATCS Development Program

In April 2020, we entered a strategic partnership with Siemens, to jointly develop wireless communications products for the North American Rail Industry based on Siemens' Advanced Train Control System ("ATCS") protocol and our MC-IoT platform. At the same time, we entered into an agreement to allow Siemens to sell Ondas' 802.16 MC-IoT standardized products to the North American Rails under the Siemens' brand name "Airlink." The dual-mode ATCS/MC-IoT radio system was designed to support Siemens' extensive installed base of ATCS radios as well as offer Siemens' customers the ability to support a host of new advanced rail applications utilizing our MC-IoT wireless system. These new applications, including Advanced Grade Crossing Activation and Monitoring, Wayside Inspection, Railcar Monitoring, and support for next generation signaling and train control systems, are designed to increase railroad productivity, reduce costs, and improve safety. Siemens formally launched the dual mode ATCS/MC-IoT radio products along with the Siemens branded Airlink radios in September 2021 at the Railway Systems Suppliers (RSSI) conference in Indianapolis. In November 2021, Siemens secured its first commercial 900 MHz rail order for a major Class I Railroad in the United States for delivery by year-end. Ondas delivered this initial order as requested in December 2021. On August 9, 2022, we announced that we had secured an initial volume order from Siemens for the Class I Rail 900 MHz Network consisting of both ATCS compatible products along with Ondas' catalog products. In September 2022, we received government authorization to sell ATCS radios in Canada.

Multiple New Joint Development Programs

In January 2021, Ondas Networks and Siemens signed a Letter of Intent ("LOI") for the development of a next generation radio product for the global rail markets including support for our first onboard locomotive radio. The formal agreement, referred to as the Next Generation Radio Board, was signed by the parties in July 2021 with a targeted completion date in first quarter 2022. Also in July 2021, Ondas Networks received a purchase order from Siemens Mobility for the development of a new industrial radio to support rail safety. This program was completed as requested by September 2021. In October 2021, Siemens substantially expanded the Next Generation Radio Board development program by issuing to Ondas Networks four new purchase orders which included customized hardware and software solutions for Head of Train (HOT) locomotive applications for the North American market and for a major Asian Rail customer. The expanded program reprioritized the July 2021 agreement deliverables for products to be delivered to an Asian Rail customer. In November 2022, Ondas Networks received its first order for delivery of these products to Siemens.

802.16 ("dot16") Rail Lab

In December 2021, we received an order from Siemens for the implementation of the "dot16" North American Rail Lab ("Rail Lab"). The initial construction of the Rail Lab was completed in June 2022 at our headquarters in Sunnyvale, CA. In September 2022, the Rail Lab was transferred from our headquarters to MxV Rail's headquarters in Pueblo, Colorado. MxV Rail, formerly known as TTCI, is the subsidiary of the Association of American Railroads (AAR) responsible for standardization of rail technology. The Rail Labs,, serves multiple purposes including interoperability and coexistence testing of 802.16 compliant wireless systems, customization and optimization of different network rail configurations, and next generation rail application testing. Importantly, the lab is focused on multiple frequency bands and networks beyond the 900 MHz that Ondas is targeting for commercial deployment.

To summarize, since announcing our strategic partnership in April 2020, Ondas and Siemens have completed our first major joint development program for ATCS/MC-IoT 900 MHz radios for the North American market and secured our first volume order in August 2002 for products to be delivered to multiple Class I railroads starting in Q3 2022. In July 2021, we entered into our second major joint development program for an onboard locomotive radio. This program was significantly expanded in October 2021 to incorporate specific locomotive protocols and a global reach. We have completed the portion of the program for Siemens customer in Asia (and have received our first volume order for these products for delivery in 2023).. In September 2021, Siemens launched their Siemens-branded MC-IoT wireless systems under brand name 'Airlink' at the RSSI show in North America with an international launch at InnoTrans in Berlin in September 2022 In December 2021, Siemens together with Ondas secured the Rail Lab order from the North American railroads which has now been constructed and delivered to its permanent location at MxV Rail in Pueblo, Colorado In June 2022, Ondas signed an LOI with Siemens UK to develop a new locomotive radio for the European rail market with product delivery beginning in the fourth quarter of 2023.

Ondas believes the Siemens strategic partnership validates our wireless connectivity solutions and will serve as the foundation for the continued adoption of our wireless technology in the global rail markets.

UAS, Drones and AURA Network Systems

In December 2019, Ondas Networks received a purchase order for FullMAX base stations and remote radios from AURA Networks Systems ("AURA"), a privately held company deploying a nationwide network for the command and control of commercial drones. AURA's key differentiator is its exclusive ownership of dedicated, licensed Air-to-Ground frequencies. We believe that operators of large, fast-moving, and high-flying drones, including those used for inspection and security applications as well as those for the Urban Air Mobility market (also known as "flying cars"), will require a secure command and control network like that planned by AURA. This command and control (C2) network will be designed to meet Federal Aviation Administration ("FAA") requirements in order to fly long distances beyond visual line of site (BVLOS) of a drone operator.

In July 2020, we completed delivery of AURA's first purchase order for the ground infrastructure. AURA has now installed its initial nationwide infrastructure based on our FullMAX technology in order to satisfy their FCC license requirements. In January 2021, AURA achieved another major milestone with approval from the FCC to use their frequencies for Unmanned Ariel Systems ("UAS")/Drone operation. Based on this approval and other advances in the network, AURA placed a new purchase order in the first quarter of 2021 for continued system development related to the optimization of FullMAX base station and remote radio equipment for customer testing and demonstration networks. We have completed this project as of December 2021.

In August 2022, we announced that we had started integration of our wireless technology with American Robotics' Terrestrial Acoustic Sensor Array (TASA) detect-and-avoid system. In October 2022, American Robotics obtained site based experimental licenses from the FCC to use Ondas Networks radios at locations in California, Massachusetts, Kansas and Louisiana. Ondas Networks and American Robotics plan to standardize this licensed solution for TASA in order to obtain higher reliability and availability of frequency for this critical system.

Additional Critical Markets

In the coming quarters we expect to launch additional initiatives to take our MC-IoT connectivity and ecosystem partnering strategy into other critical infrastructure markets. In June 2022, we announced the first successful installation of our technology into an Integrated Coastal Surveillance System (ICSS) in the Caribbean with a global defense contractor. In October 2022, the defense contractor placed its next order for an ICSS system for a sovereign nation in Asia. We expect additional orders from this defense vendor for the ICSS application in 2023. We believe our FullMAX technology's licensed frequency flexibility, reliability, and long communications range over ocean surfaces, is broadening the scale of our technology in this emerging market for homeland security.

American Robotics Segment

American Robotics designs, develops and manufactures autonomous drone systems, providing high-fidelity, ultra-high-resolution aerial data to enterprise customers. We provide our customers turnkey data solutions designed to meet their unique requirements in the field. We do this via our internally developed Scout System™, an industrial drone platform which provides commercial and government customers with the ability to continuously digitize, analyze, and monitor their assets and field operations in near real-time.

The Scout System™ has been designed from the ground up as an end-to-end product capable of continuous unattended operations in the real world. Powered by innovations in robotics automation, machine vision, edge computing, and AI, the Scout System™ provides efficiencies as a drone solution for commercial use. Once installed in the field at customer locations, a fleet of connected Scout Systems remain indefinitely in an area of operation, automatically collecting data each day, self-charging, and seamlessly delivering data analysis regularly and reliably. AR markets the Scout System™ under a Robot-as-a-Service ("RaaS") business model, whereby our drone platform aggregates customer data and provides the data analytics meeting customer requirements in return for an annual subscription fee.

The Scout System™ consists of (i) Scout™, a highly automated, AI-powered drone with advanced imaging payloads, (ii) the ScoutBase™, a ruggedized weatherproof base station for housing, charging, data processing, and cloud transfer, and (iii) ScoutView™, a secure web portal and API which enables remote interaction with the system, data, and resulting analytics anywhere in the world. These major subsystems are connected via a host of supporting technologies. Using a suite of proprietary technologies, including Detect-and-Avoid ("DAA") and other proprietary intelligent safety systems, we achieved the first and only FAA approval for automated operations without a human on-site in the United States on January 15, 2021. As a result, American Robotics currently has the unique ability to serve markets which require automated drone technology to enable scalable drone operations, which the Company estimates to be 90% of all commercial drone applications.

American Robotics sells its products and services nationally through a direct sales force to large enterprises that operate in the agriculture, industrial and critical infrastructure verticals that include major rail operators, electric and gas utilities, oil and gas producers, large agricultural input manufacturers, large agricultural coops, and for other critical infrastructure applications in areas such as homeland security and defense, and transportation.

As of September 30, 2022, American Robotics had signed subscription agreements of varying contract lengths with customers in multiple industries including agriculture, oil and gas and materials management.

Acquisition of Airobotics

On August 4, 2022, the Company entered into an Agreement of Merger (the "AIRO Agreement") with Talos Ltd. (or such other name as shall be approved by the Israeli Registrar of Companies), an Israeli company in formation as a wholly owned subsidiary of the Company ("Merger Sub"), and AIROBOTICS Ltd., an Israeli publicly traded company on the Tel Aviv Stock Exchange and a leading Israeli developer of autonomous unmanned aircraft systems and automated data analysis and visualization platforms ("Airobotics").

The AIRO Agreement provides that, upon the terms and subject to the conditions set forth in the AIRO Agreement, and in accordance with the Companies Law 5759-1999 of the State of Israel (together with the rules and regulations thereunder), Merger Sub shall be merged with and into Airobotics, and Airobotics will continue as a wholly owned subsidiary of the Company (the "AIRO Merger"). At the closing of the AIRO Merger, upon the terms and subject to the conditions set forth in the AIRO Agreement, each ordinary share of Airobotics issued and outstanding immediately prior to the closing of the AIRO Merger (other than shares owned by Airobotics or its subsidiaries (dormant or otherwise) or by the Company or Merger Sub) shall be exchanged for and converted into the right to receive 0.16806 of a fully paid and nonassessable share of the Company common stock without interest and subject to applicable tax withholdings ("Merger Consideration"). All fractional shares of the Company common stock that would otherwise be issued to a holder of Airobotics ordinary shares as part of the Merger Consideration will be rounded up to the nearest whole share based on the total number of shares of the Company's common stock to be issued to such holder of Airobotics ordinary shares.

Each of the Company, Merger Sub, and Airobotics has provided customary representations, warranties and covenants in the AIRO Agreement. The completion of the AIRO Merger is subject to various closing conditions, including (a) the requisite regulatory approvals being obtained; (b) the absence of any applicable order (whether temporary, preliminary or permanent) in effect which prohibits the consummation of the AIRO Merger; (c) the absence of any law of any governmental authority of competent jurisdiction prohibiting the consummation of the AIRO Merger; and (d) Airobotics obtaining the requisite stockholder approval. The AIRO Agreement contains customary termination rights for both the Company and Airobotics. Both the Company and Airobotics have the right to terminate the AIRO Agreement if the closing of the AIRO Merger does not occur on or before February 15, 2023.

The AIRO Merger is expected to close in the first quarter of 2023.

COVID-19

In December 2019, a novel strain of coronavirus ("COVID-19") was identified and has resulted in increased travel restrictions, business disruptions and emergency quarantine measures across the world including the United States.

The Company's business, financial condition and results of operations were impacted from the COVID-19 pandemic for the nine months ended September 30, 2022 and 2021 as follows:

- sales and marketing efforts were disrupted as our business development team was unable to travel to visit customers and customers were unable to receive visitors for on-location meetings;

- field activity for testing and deploying our wireless systems was delayed due to the inability for our field service team to install and test equipment for our customers; and

- manufacturing and sales were disrupted due to ongoing supply chain constraints for certain critical parts.

The Company expects its business, financial condition and results of operations will be impacted from the COVID-19 pandemic during 2022, primarily due to the slowdown of customer activity during 2020 and 2021, ongoing supply chain constraints for certain critical parts, and difficulties in attracting employees. The extent to which the coronavirus may impact our business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and its variants. As a result, the Company is unable to reasonably estimate the full extent of the impact from the COVID-19 pandemic on its future business, financial conditions, and results of operations. In addition, if the Company were to experience any new impact to its operations or incur additional unanticipated costs and expenses as a result of the COVID-19 pandemic, such operational delays and unanticipated costs and expenses could further adversely impact the Company's business, financial condition and results of operations during 2022.

Recent Developments

October 2022 Note Offering

On October 26, 2022, Ondas entered into a placement agent agreement (the "Placement Agent Agreement") with Oppenheimer, as the sole placement agent relating to the Company's sale and issuance to selected institutional investors (the "Investors") in a registered direct offering of 3% senior convertible notes due 2023 in the aggregate original principal amount of $34.5 million (the "2022 Notes"). The 2022 Notes have an original issue discount of thirteen percent (13%) resulting in gross proceeds to the Company of $30.0 million. The 2022 Notes were sold pursuant to the terms of a Securities Purchase Agreement, dated October 26, 2022 (the "SPA"), between Ondas and each investor in connection with this offering (the "Offering"). Upon Ondas' filing of an additional prospectus supplement, indenture and supplemental indenture, if elected by the initial purchasers of 2022 Notes, we may consummate additional closings of up to an additional $34.5 million in aggregate principal amount of 3% senior convertible notes due two years after the date of issuance pursuant to the SPA. Up to 16,235,294 shares of the Company's common stock (the "Shares") are issuable from time to time upon conversion or otherwise under the 2022 Notes (including shares of common stock that may be issued as interest in lieu of cash payments). The 2022 Notes and Shares are being offered pursuant to the Form S-3, and a registration statement on Form S-3 (Registration No. 333-268014) pursuant to Rule 462(b) under the Securities Act of 1933, as amended, which was effective immediately upon filing. Oppenheimer served as the sole placement agent for the transaction pursuant to the terms of the Placement Agent Agreement. Under the terms of the Placement Agent Agreement, we paid our placement agent a cash fee equal to 5.0% of the gross proceeds in connection with the Offering. The Offering closed on October 28, 2022. The net amount of proceeds to Ondas from the Offering after deducting the placement agent's fees and offering expenses was approximately $27,750,000.

202,711 shares of the Company's common stock were issued to the investors as the first monthly payment on the Notes on November 1, 2022.

Amendment to Equity Distribution Agreement

On October 26, 2022, Ondas entered into Amendment No. 1 to the Equity Distribution Agreement, dated March 22, 2022 ("Amendment No. 1"), with Oppenheimer & Co. Inc., as sales agent. Amendment No. 1 provides for the reduction of the aggregate offering price from up to $50 million to up to $40 million of shares of the Company's common stock.

Amendments to Agreements with Airobotics

On September 20, 2022, Airobotics and the Company entered into a loan agreement (the "Loan Agreement"), according to which, commencing from October 3, 2022, the Company provided Airobotics with credit of up to $1.5 million, which will be utilized for the purpose of financing Airobotics' ongoing activities, subject to customary conditions, including the delivery of documents and standard approvals of the Company. The Loan Agreement was amended on October 30, 2022 to increase the available credit to $2.0 million. The primary purpose of the increase is is to fund inventory for known customer demand Airobotics has borrowed $1.75 million under the Loan Agreement.

On November 13, 2022, Ondas and Airobotics entered into an amendment to the Loan Agreement, as amended, changing the maturity date to February 15, 2023.

Also, on November 13, 2022, Ondas and Airobotics entered into an amendment to the Merger Agreement changing the termination date to February 15, 2023.

<u>Results of Operations</u>

<u>Three months ended September 30, 2022, compared to three months ended September 30, 2021</u>

	Three Months Ended September 30,		
	2022	2021	Increase (Decrease)
Revenue, net	$ 632,489	$ 283,329	$ 349,160
Cost of goods sold	233,001	269,716	(36,715)
Gross profit	399,488	13,613	385,875
Operating expenses:			-
General and administrative	7,362,274	2,721,785	4,640,489
Sales and marketing	792,613	424,992	367,621
Research and development	5,793,345	1,780,187	4,013,158
Total operating expense	13,948,232	4,926,964	9,021,268
Operating loss	(13,548,744)	(4,913,351)	(8,635,393)
Other income (expense)	(29,597)	(921)	(28,676)
Net loss	(13,578,341)	(4,914,272)	(8,664,069)

Revenues

	Three Months Ended September 30,		
	2022	2021	Increase (Decrease)
Revenue, net			
Ondas Networks	566,784	260,636	306,148
American Robotics	65,705	22,693	43,012
Total	632,489	283,329	349,160

Our revenues increased by $349,160 to $632,489 for the three months ended September 30, 2022, compared to $283,329 for the three months ended September 30, 2021. Revenues during the three months ended September 30, 2022, included $235,172 for products, $190,705 for maintenance, service, support, and subscriptions, and $206,612 for development agreements with Siemens. Revenues during the three months ended September 30, 2021, included $45,358 for product, $20,693 for maintenance, service and support and $215,987 for development agreements with Siemens and AURA, and $1,291 for other revenues. The decrease in our development revenues were the result of substantial completion of our development contracts in third quarter of 2022.

Cost of goods sold

Our cost of goods sold was $233,001 for the three months ended September 30, 2022, compared to $269,716 for the three months ended September 30, 2021. The decrease in cost of goods sold was primarily a result of a decline in costs related to the development agreements and improved margins on product revenue.

Gross profit

Our gross profit increased by $385,875 for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 based on the changes in revenues and costs of goods sold as discussed above. Gross margin for the three months ended September 30, 2022 and 2021 was 63% and 5%, respectively. This increase in gross margin is a direct result of a decline in the development costs and improved margins on product revenue.

Operating Expenses

	Three Months Ended September 30,		
	2022	2021	Increase (Decrease)
Operating expenses:			
General and administrative	7,362,274	2,721,785	4,640,489
Sales and marketing	792,613	424,992	367,621
Research and development	5,793,345	1,780,187	4,013,158
Total	13,948,232	4,926,964	9,021,268

Our principal operating costs include the following items as a percentage of total expense.

	Three Months Ended September 30,	
	2022	2021
Human resource costs, including benefits	38%	30%
Travel and entertainment	3%	2%
Other general and administration costs:		
Professional fees and consulting expenses	21%	29%
Other expense	13%	13%
Depreciation and amortization	7%	14%
Other research and deployment costs, excluding human resources and travel and entertainment	17%	13%
Other sales and marketing costs, excluding human resources and travel and entertainment	1%	-

Operating expenses increased by $9,021,268, or 183% as a result of the following items:

		Three Months Ended September 30, 2022 (000s)
Human resource costs, including benefits	$	3,774
Travel and entertainment		284
Other general and administration costs:		
Professional fees and consulting costs		1,512
Other expense		1,222
Depreciation and amortization		342
Other research and deployment costs, excluding human resources and travel and entertainment		1,806
Other sales and marketing costs, excluding human resources and travel and entertainment		81
	$	9,021

The increase in operating expenses was primarily as the result of the acquisition of American Robotics which accounted for $8,439,169 of the increase, specifically in compensation expense, depreciation and amortization and research and development expenses. The rest of the increase was primarily in legal, accounting and other services and insurance.

Operating Loss

As a result of the foregoing, our operating loss increased by $8,635,393, or 176%, to $13,548,744 for the three months ended September 30, 2022, compared with $4,913,351 for the three months ended September 30, 2021. Operating loss increased primarily as a result of higher general and administration expenses and research and development expenses for the three months ended September 30, 2022.

Total other Income (Expense), net

Other expense, net increased by $28,676, to $29,597 for the three months ended September, 2022, compared with the other expense of $921 for the three months ended September 30, 2021.

Net Loss

As a result of the net effects of the foregoing, net loss increased by $8,664,069, or 176%, to $13,578,341 for the three months ended September 30, 2022, compared with $4,914,272 for the three months ended September 30, 2021. Net loss per share of common stock, basic and diluted, was $(0.13) for the three months ended September 30, 2021, compared with $(0.32) for the three months ended September 30, 2022.

Nine months ended September 30, 2022 compared to nine months ended September 30, 2021

	Nine Months Ended September 30,		
	2022	2021	Increase (Decrease)
Revenue, net	$ 1,646,905	$ 2,335,525	$ (688,620)
Cost of goods sold	806,571	1,405,741	(599,170)
Gross profit	840,334	929,784	(89,450)
Operating expenses:			-
General and administrative	18,727,626	7,625,909	11,101,717
Sales and marketing	2,210,021	808,513	1,401,508
Research and development	14,815,852	3,428,406	11,387,446
Total operating expense	35,753,499	11,862,828	23,890,671
Operating loss	(34,913,165)	(10,933,044)	(23,980,121)
Other income (expense)	(67,000)	58,887	(125,887)
Net loss	(34,980,165)	(10,874,157)	(24,106,008)

Revenues

	Nine Months Ended September 30,		
	2022	2021	Increase (Decrease)
Revenue, net			
Ondas Networks	1,453,659	2,312,832	(859,173)
American Robotics	193,246	22,693	170,553
Total	1,646,905	2,335,525	(688,620)

Our revenues decreased by $688,620 to $ 1,646,905 for the nine months ended September 30, 2022, compared to $ 2,335,525 for the nine months ended September 30, 2021. Revenues during the nine months ended September 30, 2022, included $823,184 for products, $318,247 for maintenance, service, support, and subscriptions, and $505,474 for development agreements with Siemens and AURA. Revenues during the nine months ended September 30, 2021, included $134,358 for product, $45,804 for maintenance, service and support and $ 2,155,363 for development agreements with Siemens and AURA. The decrease in our development revenues were the result of substantial completion of our development contracts in 2021.

Cost of goods sold

Our cost of goods sold was $806,571 for the nine months ended September 30, 2022, compared to $1,405,741 for the nine months ended September 30, 2021. The decrease in the cost of goods sold was primarily a result of a decline in costs related to the development agreements and improved product revenue margins.

Gross profit

Our gross profit decreased by $89,450 for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021 based on the changes in revenues and costs of goods sold as discussed above. Gross margin for the nine months ended September 30, 2022, and 2021 was 51% and 40%, respectively. This increase in gross margin is a direct result of a decline in the development revenues that have relatively lower margins and improvement in the gross margin on the product revenue.

Operating Expenses

	Nine Months Ended September 30,		
	2022	2021	Increase (Decrease)
Operating expenses:			
General and administrative	18,727,626	7,625,909	11,101,717
Sales and marketing	2,210,021	808,513	1,401,508
Research and development	14,815,852	3,428,406	11,387,446
Total	35,753,499	11,862,828	23,890,671

Our principal operating costs include the following items as a percentage of total expenses.

	Nine Months Ended September 30,	
	2022	2021
Human resource costs, including benefits	41%	34%
Travel and entertainment	2%	1%
Other general and administration costs:		
Professional fees and consulting expenses	17%	37%
Other expense	14%	14%
Depreciation and amortization	8%	6%
Other research and deployment costs, excluding human resources and travel and entertainment	17%	8%
Other sales and marketing costs, excluding human resources and travel and entertainment	1%	-%

Operating expenses increased by $23,890,671, or 201% as a result of the following items:

		Nine Months Ended September 30, 2022 (000s)
Human resource costs, including benefits	$	10,782
Travel and entertainment		783
Other general and administration costs:		
Professional fees and consulting costs		1739
Other expense		3,170
Depreciation and amortization		2,176
Other research and deployment costs, excluding human resources and travel and entertainment		5,042
Other sales and marketing costs, excluding human resources and travel and entertainment		199
	$	23,891

The increase in operating expenses was primarily as the result of the acquisition of American Robotics which accounted for $21,989,639 of the increase, specifically in compensation expense, depreciation and amortization and research and development expenses. The rest of the increase was primarily in legal, accounting and other services and insurance.

Operating Loss

As a result of the foregoing, our operating loss increased by $ 23,980,121, or 219%, to $34,913,165 for the nine months ended September 30, 2022, compared with $10,933,044 for the nine months ended September 30, 2021. Operating loss increased primarily as a result of higher general and administration expenses and research and development expenses for the nine months ended September 30, 2022.

Total Other Income (Expense), net

Other expense decreased by $125,887, or 214%, to $ 67,000 for the nine months ended September, 2022, compared with the other income of ($58,887) for the nine months ended September 30, 2021. During the nine months ended September 30, 2022, compared to the same period in 2021, we reported a decrease in interest expense of approximately $ 537,128 as a result of paying off the promissory note from Steward Capital Holdings LP on June 25, 2021. Also, the other income decreased during the period ended September 30, 2022, as compared to the nine months ended September 30, 2021 on account of PPP loan forgiveness of $666,091 granted during nine months ended September 30, 2021.

Net Loss

As a result of the net effects of the foregoing, net loss increased by $ 24,106,008, or 222%, to $ 34,980,165 for the nine months ended September 30, 2022, compared with $10,874,157 for the nine months ended September 30, 2021. Net loss per share of common stock, basic and diluted, was $(0.34) for the nine months ended September 30, 2021, compared with $(0.83) for the nine months ended September 30, 2022.

Summary of (Uses) and Sources of Cash

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net cash flows used in operating activities	$ (26,198,673)	$ (11,623,656)
Net cash flows used in investing activities	(5,497,069)	(8,684,736)
Net cash flows provided by financing activities	6,164,176	41,744,186
Increase (decrease) in cash and cash equivalents	(25,531,566)	21,435,794
Cash and cash equivalents, beginning of period	40,815,123	26,060,733
Cash and cash equivalents, end of period	$ 15,283,557	$ 47,496,527

The principal use of cash in operating activities for the nine months ended September 30, 2022, was to fund the Company's current expenses primarily related to operating activities necessary to allow us to service and support customers. The increase in cash flows used in operating activities of $ 14,575,017 was primarily due to the increase in operating expenses. Net cash flows used in investing activities included payments made for purchase of equipment and patent costs amounting to $ 3,555,402 and purchase of development technology on account of asset acquisition from Ardenna Inc amounting to $ 900,000 as cash consideration. Cash paid for purchase of intangibles from Field of View LLC was $ 41,667. There was an additional investment of $ 1,000,000 in Dynam AI during the quarter ended September 30, 2022. The cash flows provided by financing activities includes proceeds from the sale of shares under the Equity Distribution Agreement ("ATM Offering"), amounting to $ 6,099,267.

For a summary of our outstanding Secured Promissory Notes and Long-Term Notes Payable , see NOTES 9 and 10 in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Liquidity and Capital Resources

We have incurred losses since inception and have funded our operations primarily through debt and the sale of capital stock. As of September 30, 2022, we had a stockholders' equity of $93,802,698. As of September 30, 2022, we had short-term and long-term borrowings outstanding of approximately $0 and $300,000, respectively. As of September 30, 2022, we had cash and cash equivalents of $15,283,557 and working capital of $ 12,877,051. Also, on October 28, 2022, we closed the Notes Offering, which provided us net proceeds of approximately $27,750,000 after deducting the placement agent's fees and offering expenses.

We believe available cash on hand, in addition to the growth in revenue and profitability expected as the Company executes its business plan, will fund its operations for at least the next twelve months from the filing date of this Form 10-Q.

ATM Offering

On March 22, 2022, the Company entered into (the "ATM Agreement") with Oppenheimer, as the Company's sales agent, (the "Sales Agent"). Pursuant to the terms of the ATM Agreement, the Company may offer and sell (the "ATM Offering") from time to time through the Sales Agent, up to $50 million of shares of the Company's common stock, par value $0.0001 per share (the "ATM Shares"). Sales of the ATM Shares, if any, may be made in sales deemed to be "at the market offerings" as defined in Rule 415 promulgated under the Securities Act. The Sales Agent is not required to sell any specific number or dollar amount of ATM Shares, but will act as a sales agent using commercially reasonable efforts consistent with its normal trading and sales practices and applicable state and federal laws, rules, and regulations and the rules of the Nasdaq Stock Market, on mutually agreed terms between the Sales Agent and the Company. The Sales Agent will receive from the Company a commission of 3.0% of the gross proceeds from the sales of ATM Shares by the Sales Agent pursuant to the terms of the ATM Agreement. Net proceeds from the sale of the ATM Shares will be used for general corporate purposes.

On October 26, 2022, Ondas entered into Amendment No. 1 to the Equity Distribution Agreement, dated March 22, 2022 ("Amendment No. 1"), with Oppenheimer & Co. Inc., as the Company's sales agent. Amendment No. 1 provides for the reduction of the aggregate offering price from up to $50 million to up to $40 million of shares of the Company's common stock.

The offering of ATM Shares pursuant to the ATM Agreement will terminate upon the earliest of (i) the sale of all ATM Shares subject to the ATM Agreement, and (ii) the termination of the ATM Agreement pursuant to its terms.

The ATM Shares are issued pursuant to the Company's shelf registration statement (the "Registration Statement") on Form S-3 (File No. 333-252571) filed on January 29, 2021, which became effective on February 5, 2021, and the prospectus supplement thereto dated March 22, 2022.

During the quarter ended June 30, 2022 the Company sold 852,679 ATM Shares through the Sales Agent at an average price of $7.29 with the net proceeds of $6.03 million. In connection with the sale of these ATM Shares, the compensation paid by the Company to the Sales Agent was $225,091.

During the quarter ended September 30, 2022 the Company sold 11,995 ATM Shares through the Sales Agent at an average price of $5.62 with the net proceeds of $0.65 million. In connection with the sale of these ATM Shares, the compensation paid by the Company to the Sales Agent was $2,027.

Our future capital requirements will depend upon many factors, including progress with developing, manufacturing and marketing our technologies, the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other proprietary rights, our ability to establish collaborative arrangements, marketing activities and competing technological and market developments, including regulatory changes and overall economic conditions in our target markets. Our ability to generate revenue and achieve profitability requires us to successfully market and secure purchase orders for our products from customers currently identified in our sales pipeline as well as new customers. We also will be required to efficiently manufacturer and deliver equipment on those purchase orders. These activities, including our planned research and development efforts, will require significant uses of working capital. There can be no assurances that we will generate revenue and cash flow as expected in our current business plan. We may seek additional funds through equity or debt offerings and/or borrowings under additional notes payable, lines of credit or other sources. We do not know whether additional financing will be available on commercially acceptable terms or at all, when needed. If adequate funds are not available or are not available on commercially acceptable terms, our ability to fund our operations, support the growth of our business or otherwise respond to competitive pressures could be significantly delayed or limited, which could materially adversely affect our business, financial condition or results of operations.

Off-Balance Sheet Arrangements

As of September 30, 2022, we had no off-balance sheet arrangements.

Contractual Obligations

We are a smaller reporting company as defined by Rule 229.10(f)(1) and are not required to provide information under this item.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses, as well as related disclosures. We base our estimates and judgments on historical experience and other assumptions that we believe to be reasonable at the time and under the circumstances, and we evaluate these estimates and judgments on an ongoing basis. Information concerning our critical accounting policies with respect to these items is available in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our 2021 Form 10-K. There have been no significant changes in our critical accounting policies since the filing of the 2021 Form 10-K.

Recent Accounting Pronouncements

There have been no material changes to our significant accounting policies as summarized in NOTE 2 of our 2021 Form 10-K. We do not expect that the adoption of any recent accounting pronouncements will have a material impact on our accompanying condensed consolidated financial statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q, as well as information included in oral statements or other written statements made or to be made by us, contain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are neither historical facts nor assurances of future performance. These forward-looking statements are based on our current, reasonable expectations and assumptions, which expectations and assumptions are subject to risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in our 2021 Form 10-K and the risks discussed under the caption "Risk Factors" included in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and this Quarterly Report on Form 10-Q. Given these risks and uncertainties, readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, except as required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 229.10(f)(1) and are not required to provide information under this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of September 30, 2022. Based on that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of September 30, 2022.

Evaluation of Disclosure Controls and Procedures

Our senior management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our Board, senior management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We continue to review our internal control over financial reporting and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our internal control systems evolve with our business.

As set forth below, management has remediated the control deficiency identified and disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management determined that as of September 30, 2022 the Company has remediated the following material control weakness identified as of December 31,2021

Inadequate review of stock-based compensation issued in connection with the acquisition of American Robotics

The Company completed the remediation plan that includes the following:

Remediation plan	*Status*
Restructuring working papers and the review process to ensure that stock compensation expense is correctly calculated.	Completed in April 2022.
Implementation of a third-party equity management software to calculate stock compensation expense relating to all equity awards.	The third-party stock plan administration platform service provider was engaged in May 2022 and the new service went live on June 30, 2022. The Company also calculated the expense under the previous manual system and tested the results from the new system and found no discrepancies. Based on these results, management has concluded that there is effective control over the calculation of stock compensation expense.

Changes in Internal Control Over Financial Reporting

We are in the process of incorporating the controls and related procedures of American Robotics acquired in August 2021. Other than incorporating the controls and procedures of American Robotics and the Remediation Plan set forth above, there were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended September 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are not currently involved in any legal proceeding or investigation by a governmental agency that we believe will have a material adverse effect on our business, financial condition or operating results.

Item 1A. Risk Factors.

Our business, financial condition, operating results, and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth in our Annual Report on Form 10-K for the year ended December 31, 2021, and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 the occurrence of any one of which could have a material adverse effect on our actual results.

There have been no material changes to the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, except as set forth in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022:

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On August 31, 2022, the Company entered into an Asset Purchase Agreement to acquire the assets of Field of View LLC (“FOV”). On August 31, 2022, the Company completed the acquisition of the assets of FOV. The consideration for the acquisition was $250,000 in cash and 16,000 shares of the Company’s common stock (the “FOV Consideration Shares”). The issuance of the FOV Consideration Shares was not registered under the Securities Act, in accordance with Section 4(a)(2) as a transaction by an issuer not involving a public offering.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Name of Document
2.1	Agreement of Merger, dated August 4, 2022 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2022).
31.1	Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated November 14, 2022*
31.2	Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated November 14, 2022*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 dated November 14, 2022**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 dated November 14, 2022**
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.

** This certification is being furnished and shall not be deemed "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

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.

DATE: November 14, 2022

ONDAS HOLDINGS INC.

By: /s/ Eric A. Brock
Eric A. Brock
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Derek Reisfield
Derek Reisfield
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eric A. Brock, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Ondas Holdings 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its 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.

November 14, 2022

/s/ Eric A. Brock
Eric A. Brock
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Derek Reisfield, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Ondas Holdings 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its 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.

November 14, 2022

/s/ Derek Reisfield
Derek Reisfield
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Ondas Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Eric A. Brock, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

November 14, 2022

/s/ Eric A. Brock
Eric A. Brock
Chairman and Chief Executive Officer
(Principal Executive Officer)

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Ondas Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Derek Reisfield , Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

November 14, 2022

/s/ Derek Reisfield
Derek Reisfield
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.