

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, 2023

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

For the transition period from to

Commission File No. 000-55504

UAS Drone Corp.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

47-3052410

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

10 HaRimon Street

Mevo Carmel Science and Industrial Park, Israel

(Address of Principal Executive Offices)

2069203

(Zip Code)

+972-4-8124101

(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 registered	Trading Symbol(s)	Name of exchange on which registered
N/A	N/A	N/A

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	<input type="checkbox"/> Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> Smaller reporting company	<input checked="" type="checkbox"/>
	Emerging growth company	<input type="checkbox"/>

complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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[sec.gov/Archives/edgar/data/1638911/000121390023085199/f10q0923_uasdrone.htm](https://www.sec.gov/Archives/edgar/data/1638911/000121390023085199/f10q0923_uasdrone.htm)

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

As of November 9, 2023, the registrant had 54,218,813 shares of common stock, par value \$0.0001, of the registrant issued and outstanding.

In this Quarterly Report, unless otherwise specified, all dollar amounts are expressed in United States dollars. Except as otherwise indicated by the context, references in this Quarterly Report to “Company”, “UAS,” “we,” “us” and “our” are references to UAS Drone Corp., a Nevada corporation, together with its consolidated subsidiaries.

UAS Drone Corp.**Quarterly Report on Form 10-Q****TABLE OF CONTENTS**

	<u>Page</u>
<u>Cautionary Note Regarding Forward-Looking Statements</u>	ii
PART I-FINANCIAL INFORMATION	
Item 1. <u>Consolidated Financial Statements (unaudited)</u>	1
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Comprehensive Loss</u>	4
<u>Statements of Stockholders' Equity</u>	5
<u>Consolidated Statements of Cash Flows</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	16
Item 4. <u>Control and Procedures</u>	16
<u>PART II-OTHER INFORMATION</u>	17
Item 1A. <u>Risk Factors</u>	17
Item 6. <u>Exhibits</u>	18
<u>SIGNATURES</u>	19

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information set forth in this Quarterly Report on Form 10-Q, including in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere herein may address or relate to future events and expectations and as such constitutes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements which are not historical reflect our current expectations and projections about our future results, performance, liquidity, financial condition, prospects and opportunities and are based upon information currently available to us and our management and their interpretation of what is believed to be significant factors affecting our business, including many assumptions regarding future events. Such forward-looking statements include statements regarding, among other things:

- sales of our products;
- the size and growth of our product market;
- our activity in the civilian market;
- our manufacturing capabilities;
- our entering into certain partnerships with third parties;
- obtaining required regulatory approvals for sales or exports of our products;
- our marketing plans;
- our expectations regarding our short- and long-term capital requirements;
- our outlook for the coming months and future periods, including but not limited to our expectations regarding future revenue and expenses; and
- information with respect to any other plans and strategies for our business.

Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words “may,” “should,” “would,” “could,” “scheduled,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” “seek,” or “project” or the negative of these words or other variations on these words or comparable terminology. Actual results, performance, liquidity, financial condition and results of operations, prospects and opportunities could differ materially and perhaps substantially from those expressed in, or implied by, these forward-looking statements as a result of various risks, uncertainties and other factors. These statements may be found under the section of our Annual Report on Form 10-K for the year ended December 31, 2022 (filed on March 24, 2023) entitled “Risk Factors” as well as in our other public filings.

In light of these risks and uncertainties, and especially given the start-up nature of our business, there can be no assurance that the forward-looking statements contained herein will in fact occur. Readers should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Item 1. Financial Statements.

UAS DRONE CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2023

1

UAS DRONE CORP.**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

AS OF SEPTEMBER 30, 2023

TABLE OF CONTENTS

	Page
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:	
<u>Unaudited Condensed Consolidated Interim Balance sheets as of September 30, 2023, and December 31, 2022</u>	3
<u>Unaudited Condensed Consolidated Interim Statements of Comprehensive loss for nine and three months ended September 30, 2023 and 2022</u>	4
<u>Unaudited Condensed Consolidated Interim Statements of Stockholders' Equity for the period of nine and three months ended September 30, 2023 and 2022</u>	5
<u>Unaudited Condensed Consolidated Interim Statements of Cash Flows for the nine months ended September 30, 2023 and 2022</u>	6
<u>Notes to unaudited condensed consolidated financial statements</u>	7 - 12

UAS DRONE CORP.**UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS**

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

	September 30, 2023	December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	2,358	2,849
Other current assets	285	86
Total Current assets	2,643	2,935
Right-of-use asset arising from operating leases and other lease deposit	128	15
Property and equipment, net	52	42
Total assets	2,823	2,992
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	82	85
Other liabilities	370	176
Total current liabilities	452	261
Related parties loans	311	305
Operating lease liability	54	-
Total liabilities	817	566
Stockholders' Equity		
Common stock of US\$ 0.0001 par value each: 100,000,000 shares authorized as of September 30, 2023 and December 31, 2022; issued and outstanding 54,218,813 shares as of September 30, 2023 and December 31, 2022.	5	5
Additional paid-in capital	11,529	11,437
Accumulated deficit	(9,528)	(9,016)
Total stockholders' Equity	2,006	2,426
Total liabilities and stockholders' Equity	2,823	2,992

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

UAS DRONE CORP.**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

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

	Nine months ended September 30		Three months ended September 30	
	2023	2022	2023	2022
Research and development expenses	-	(20)	-	(11)
General and administrative expenses	(581)	(881)	(173)	(223)
Operating loss	(581)	(901)	(173)	(234)
Financial income (expense), net	69	7	23	(4)
Net loss	(512)	(894)	(150)	(238)
Loss per share (basic and diluted)	(0.01)	(0.02)	(0.00)	(0.00)
Basic and diluted weighted average number of shares of common stock outstanding	54,533,236	54,119,912	54,556,313	54,118,813

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

UAS DRONE CORP.**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

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

	Number of Shares	Amount	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
BALANCE AT DECEMBER 31, 2022	54,218,813	5	11,437	(9,016)	2,426
CHANGES DURING THE PERIOD OF NINE MONTHS ENDED SEPTEMBER 30, 2023:					
Share based compensation for services	-	-	92	-	92
Net loss for the period	-	-	-	(512)	(512)
BALANCE AT SEPTEMBER 30, 2023	54,218,813	5	11,529	(9,528)	2,006
BALANCE AT JUNE 30, 2023	54,218,813	5	11,510	(9,378)	2,137
CHANGES DURING THE PERIOD OF THREE MONTHS ENDED SEPTEMBER 30, 2023:					
Share based compensation for services	-	-	19	-	19
Net loss for the period	-	-	-	(150)	(150)
BALANCE AT SEPTEMBER 30, 2023	54,218,813	5	11,529	(9,528)	2,006
	Number of Shares	Amount	Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
BALANCE AT DECEMBER 31, 2021	54,018,813	5	9,115	(6,019)	3,101
CHANGES DURING THE PERIOD OF NINE MONTHS ENDED SEPTEMBER 30, 2022:					
Share based compensation for services	200,000	-	385	-	385
Net loss for the period	-	-	-	(894)	(894)
BALANCE AT SEPTEMBER 30, 2022	54,218,813	5	9,500	(6,913)	2,592
BALANCE AT JUNE 30, 2022	54,118,813	5	9,438	(6,675)	2,768
CHANGES DURING THE PERIOD OF THREE MONTHS ENDED SEPTEMBER 30, 2022:					
Share based compensation for services	100,000	*	62	-	62
Net loss for the period	-	-	-	(238)	(238)
BALANCE AT SEPTEMBER 30, 2022	54,218,813	5	9,500	(6,913)	2,592

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

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

UAS DRONE CORP.**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(USD in thousands)

	Nine months ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the period	(512)	(894)
Adjustments required to reconcile net loss for the period to net cash used in operating activities:		
Depreciation	8	2
Stock based compensation	92	385
Interest on loans	6	6
Reduction in the carrying amount of right-of-use assets	32	-
Change in operating lease liabilities	(42)	-
Decrease (increase) in other current assets	(193)	4
Increase (decrease) in accounts payable	(3)	12
Increase (decrease) in other liabilities	143	(35)
Net cash used in operating activities	<u>(469)</u>	<u>(520)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Lease deposit	-	(15)
Purchase of property and equipment	(18)	(15)
Net cash used in investing activities	<u>(18)</u>	<u>(30)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(4)</u>	<u>-</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(491)	(550)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,849	3,560
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,358</u>	<u>3,010</u>
Supplemental disclosure of cash flow information:		
Non cash transactions:		
Initial recognition of operating lease right-of-use assets	146	-
Initial recognition of operating lease liability	<u>146</u>	<u>-</u>

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

UAS DRONE CORP.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 1 – GENERAL**

UAS Drone Corp. (“the Company” or “USDR”) was incorporated under the laws of the State of Nevada on February 4, 2015.

On March 9, 2020, the Company closed on the Share Exchange Agreement (as defined hereunder), pursuant to which, Duke Robotics, Inc. (“Duke Inc.”) a corporation incorporated under the laws of the state of Delaware, became a majority-owned subsidiary of the Company. Duke Inc. has a wholly-owned subsidiary, Duke Airborne Systems Ltd. (“Duke Israel,” and collectively with Duke Inc., “Duke”), which was formed under the laws of the State of Israel in March 2014 and became the sole subsidiary of Duke after its incorporation.

On April 29, 2020, the Company, Duke Inc., and UAS Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Company (“UAS Sub”), executed an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which UAS Sub merged with and into Duke Inc., with Duke Inc. surviving as our wholly-owned subsidiary (the “Short-Form Merger”). Upon closing of the Short-Form Merger, each outstanding share of UAS Sub’s common stock, par value \$0.0001 per share, was converted into and became one share of common stock of Duke Inc., with Duke Inc. surviving as a wholly-owned subsidiary of the Company.

Following the above transactions, Duke Israel became a wholly-owned subsidiary of Duke Inc., which is a wholly-owned subsidiary of the Company.

The Company (collectively with Duke, the “Group”) is a robotics company dedicated to the development of an advanced robotics stabilization system that enables remote, real-time, pinpoint accurate firing of small arms and light weapons as well as other civilian applications with an emphasis on the field of infrastructure maintenance. The Company’s advanced robotics system is able to achieve pinpoint accuracy regardless of the movement of the weapons platform or the target.

Effective October 22, 2020, Company’s common stock is quoted on the OTC Markets Group, Inc.’s OTCQB® tier Venture Market, under the symbol “USDR”.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**Basis of presentation**

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In the opinion of management, the financial statements presented herein have not been audited by an independent registered public accounting firm but include all material adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the financial condition as of September 30, 2023, its results of operations and changes in shareholders’ equity for the three months and nine months ended September 30, 2023, and 2022 and cash flows for the nine months ended September 30, 2023. However, these results are not necessarily indicative of results for any other interim period or for the year ended December 31, 2023.

UAS DRONE CORP.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continue)**

These financial statements should be read in conjunction with the audited financial statements included in the Company's Form 10-K for the year ended December 31, 2022, as filed with the SEC. The Company's significant accounting policies are disclosed in the audited financial statements for the year ended December 31, 2022 included in the Company's Form 10-K. Since the date of such financial statements, there have been no changes to the Company's significant accounting policies.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with GAAP. The unaudited condensed consolidated financial statements of the Company include the Company and its wholly-owned and majority-owned subsidiaries. All inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, certain revenues and expenses, and disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates. As applicable to these unaudited condensed financial statements, the most significant estimates and assumptions relate to the share-based compensation.

NOTE 3 – LEASES

- A. On April 4, 2022, the Company signed a lease agreement for an office space in Mevo Carmel Science and Industry Park, Israel for a term of 3 years. The monthly lease payments under the lease agreement, for the first two years are approximately \$4.6 and for the third year approximately \$4.8. The property became available for Company's use in February 2023. Based on the lease agreement terms, the Company made a deposit of \$15 as a guarantee for its lease commitments.
- B. The components of operating lease expense for the period ended September 30, 2023 and 2022 were as follows:

	Nine months ended September 30,	
	2023	2022
Operating lease expense	27	-

UAS DRONE CORP.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 3 – LEASES (continue)**

C. Supplemental cash flow information related to operating leases was as follows:

	Nine months ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	36	-
Right-of-use assets obtained in exchange for lease obligations (non-cash):		
Operating leases	146	-

D. Supplemental balance sheet information related to operating leases was as follows:

	Nine months ended September 30,	
	2023	2022
Operating leases:		
Operating leases right-of-use asset	114	-
Current operating lease liabilities	50	-
Non-current operating lease liabilities	54	-
Total operating lease liabilities	104	-
Weighted average remaining lease term (years)	2.30	-
Weighted average discount rate	8.75%	-

UAS DRONE CORP.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 3 – LEASES (continue)**

E. Future minimum lease payments under non-cancellable leases as of September 30, 2023 were as follows:

2023	13
2024	52
2025	49
Total operating lease payments	<u>114</u>
Less: imputed interest	<u>(10)</u>
Present value of lease liabilities	<u>104</u>

NOTE 4 - STOCK OPTIONS

The following table presents the Company's stock option activity the nine months ended September 30, 2023:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2022	2,426,812	0.81
Granted	-	-
Exercised	-	-
Forfeited or expired	-	-
Outstanding at September 30, 2023	<u>2,426,812</u>	<u>0.81</u>
Number of options exercisable at September 30, 2023	<u>1,906,952</u>	<u>0.86</u>

The aggregate intrinsic value of the awards outstanding as of September 30, 2023 is \$29. These amounts represent the total intrinsic value, based on the Company's stock price of \$0.065 as of September 30, 2023, less the weighted exercise price.

The stock options outstanding as of September 30, 2023, have been separated into exercise prices, as follows:

Exercise price	Stock options outstanding	Weighted average remaining contractual life – years	Stock options exercisable
		As of September 30, 2023	
0.0001	450,000	2.48	337,500
0.38	1,256,822	3.79	942,617
1.00	99,369	3.75	99,369
2.25	620,621	3.75	527,466
	<u>2,426,812</u>	<u>3.53</u>	<u>1,906,952</u>

UAS DRONE CORP.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 4 - STOCK OPTIONS (continue)**

The stock options outstanding as of December 31, 2022, have been separated into exercise prices, as follows:

Exercise price	Stock options outstanding	Weighted average remaining contractual life – years	Stock options vested
		As of December 31, 2022	
0.0001	450,000	3.23	225,000
0.38	1,256,822	4.53	628,412
1.00	99,369	4.5	99,369
2.25	620,621	4.5	434,311
	2,426,812	4.28	1,387,092

Compensation expense recorded by the Company in respect of its stock-based compensation awards for the nine months ended September 30, 2023 and September 30, 2022 was \$92 and \$355 respectively and for the three months ended September 30, 2023 and September 30, 2022 was \$19 and \$47 respectively. These expenses are included in General and Administrative expenses in the Statements of Operations.

NOTE 5 – RELATED PARTIES**A. Transactions and balances with related parties**

	Nine months ended September 30		Three months ended September 30	
	2023	2022	2023	2022
General and administrative expenses:				
Directors and Officers compensation (*)	289	390	88	108
(*) Share base compensation	40	126	8	22
Financing:				
Financing expense	6	6	2	2

UAS DRONE CORP.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 5 – RELATED PARTIES (continue)****B. Balances with related parties:**

	As of September 30, 2023	As of December 31, 2022
Other accounts liabilities	36	35
Loans	311	305

NOTE 6 – SUBSEQUENT EVENTS

1. Following the brutal attacks by Hamas on the State of Israel, the mobilization of army reserves and the Israeli government declaring a state of war in October 2023, there has been a decrease in Israel's economic and business activity. The security situation has led, inter alia, to a disruption in the chain of supply and production, a decrease in the volume of national transportation, a shortage in manpower due to employees being called for reserve service as well as a rise in the exchange rate of foreign currencies in relation to the Israeli shekel.

At this time the Company has assessed, on the basis of the information it has as at the date of approval of the financial statements, that the current events and the escalation in security in Israel, may have a material effect on the business results of the Company in the short term. Since this is an event that is not under the control of the Company, and matters such as the fighting continuing or stopping may affect the Company's assessments, as at the reporting date the Company is unable to assess the extent of the effect of the war on its business activities and on the business activities of its subsidiaries, and on their medium and long term results. The Company is continuing to regularly follow developments on the matter and is examining the effects on its operations and the value of its assets.

2. During October 2023, the Company successfully completed its obligations under its Collaboration and Development Agreement with the Israel Electric Corporation Ltd., originally signed on August 15, 2022.
3. On November 1, 2023, the Company and certain existing investors which entered into Securities Purchase Agreements on May 11, 2021 (the "SPAs"), executed a second extension agreement, such that the term of the warrants sold pursuant to the SPAs were extended so that they now expire on November 11, 2024.

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

Readers are advised to review the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and related notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2022. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements". You should review the "Risk Factors" section of our Annual Report for the fiscal year ended December 31, 2022, for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

We are a robotics company dedicated to the development of an advanced robotics system that enables remote, real-time, pinpoint accurate firing of small arms and light weapons. Our advanced robotics system is able to achieve pinpoint accuracy regardless of the movement of the weapons platform or the target.

We were founded in 2014 as Unlimited Aerial Systems, LLP ("UAS LLP"), and until the consummation of the Share Exchange Agreement (as hereinafter defined), we were a developer and manufacturer of commercial unmanned aerial systems, or drones, with the goal of providing a superior Quadrotor aerial platform at an affordable price point in the law enforcement and first responder markets.

On March 9, 2020, we closed on the Share Exchange Agreement (the "Share Exchange Agreement"), pursuant to which Duke Robotics, Inc., a Delaware corporation ("Duke") became our majority-owned subsidiary (the "Share Exchange"). Such closing date is referred to as the "Effective Time." As a result of the Share Exchange, the Company adopted the business plan of Duke.

On April 29, 2020, we, Duke, and UAS Acquisition Corp., a Delaware corporation and our wholly-owned subsidiary ("UAS Sub"), executed an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which UAS Sub was to merge, upon the satisfaction of customary closing conditions, with and into Duke, with Duke surviving as our wholly-owned subsidiary (the "Short-Form Merger"). Pursuant to the Merger Agreement, we intended to acquire the remaining outstanding shares of Duke held by those certain Duke shareholders that did not participate in the Share Exchange. On June 25, 2020, Duke filed a Certificate of Merger with the State of Delaware, and consequently, Duke became our wholly-owned subsidiary and the Short-Form Merger was consummated.

On January 29, 2021, we, through Duke Israel, and Elbit Systems Land Ltd., an Israeli corporation ("Elbit"), entered into a collaboration agreement (the "Collaboration Agreement") for the global marketing and sales, and the production and further development of our developed advanced robotic system mounted on an UAS, armed with lightweight firearms, which we market under the commercial name "TIKAD."

On August 15, 2022, Duke Israel introduced the IC Drone, a drone technology for conducting routine maintenance of critical infrastructure, and has signed an agreement with Israel Electric Corporation (the "IEC") to provide drone-enabled systems for cleaning electric utility cable insulators. During October 2023, we successfully completed our obligations under its agreement with the IEC.

Duke has a wholly-owned subsidiary, Duke Airborne Systems Ltd. ("Duke Israel"), which was formed under the laws of the State of Israel in March 2014 and became the sole subsidiary of Duke after its incorporation. Our mailing address is 10 HaRimon Street, Mevo Carmel Science and Industrial Park, Israel 2069203, and our telephone number is 011-972-4-8124101. Our web site address is <https://dukeroboticsys.com/>.

Effective as of October 22, 2020, the Company's common stock began to be quoted on the OTCQB tier Venture Market, under the symbol "USDR".

Critical Accounting Policies

In connection with the preparation of our financial statements, we were required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with

Please see Note 2 of Part I, Item 1 of this Quarterly Report on Form 10-Q for the summary of significant accounting policies. In addition, reference is made to Part I, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation of our Annual Report on Form 10-K for the year ended December 31, 2022 (filed on March 24, 2023) with respect to our Critical Accounting Policies and Estimates.

Results of Operations

Comparison of the three months ended September 30, 2023 and 2022

Revenues. During the three months ended September 30, 2023 and 2022, we had no revenues.

Research and Development. Our research and development expenses for the three months ended September 30, 2023, amounted to \$0, compared to \$11,000 for the three months ended September 30, 2022. We have paused our research and development activity pending our evaluation of additional and different applications for use of our technology and know-how including for use in the civil market, while the research and development activities of the TIKAD product is carried out by Elbit pursuant to the Collaboration Agreement and development activities under our Collaboration and Development Agreement with the IEC are currently recorded in deferred expenses.

General and Administrative. Our general and administrative expenses for the three months ended September 30, 2023, which consisted primarily of professional services, stock-based compensation expenses and legal expenses, amounted to \$173,000, compared to \$223,000, for the three months ended September 30, 2022. The decrease in general and administrative expenses for the three months ended September 30, 2023, was mainly due to the decrease in share-based compensations expenses.

Financial Income, net. For the three months ended September 30, 2023, we had financial income of \$23,000 compared to financial expense of \$4,000 for the three months ended September 30, 2022. The reason for the decrease in financial expense for the three months ended September 30, 2023, was mainly due to the increase in interest income on bank deposits resulted from the increase in interest rates.

Net Loss. We incurred a net loss of \$150,000 for the three months ended September 30, 2023, as compared to \$238,000 for the three months ended September 30, 2022, for the reasons set forth above.

Comparison of the nine months ended September 30, 2023 and 2022

Revenues. We did not generate any revenues during the nine months ended September 30, 2023 and 2022.

Research and Development. Our research and development expenses for the nine months ended September 30, 2023, amounted to \$0, compared to \$20,000 for the nine months ended September 30, 2022. We have paused our research and development activity pending our evaluation of additional and different applications for use of our technology and know-how including for use in the civil market, while the research and development activities of the TIKAD product is carried out by Elbit pursuant to the Collaboration Agreement and development activities under our Collaboration and Development Agreement with the IEC are currently recorded in deferred expenses.

General and Administrative. Our general and administrative expenses for the nine months ended September 30, 2023, which consisted primarily of professional services, stock-based compensation expenses and legal expenses, amounted to \$581,000, compared to \$881,000 for the nine months ended September 30, 2022. The decrease in general and administrative expenses for the nine months ended September 30, 2023, was mainly due to the decrease in share-based compensations expenses.

Financial Income, net. For the nine months ended September 30, 2023, we had financial income of \$69,000 compared to financial income of \$7,000 for the nine months ended September 30, 2022. The reason for the increase in financial income for the nine months ended September 30, 2023, was mainly due to the increase in interest income on bank deposits resulted from the increase in interest rates.

Net Loss. We incurred a net loss of \$512,000 for the nine months ended September 30, 2023, as compared to a net loss of \$894,000 for the nine months ended September 30, 2022, for the reasons set forth above.

Liquidity and Capital Resources

We had \$2,358,000 in cash on September 30, 2023, versus \$3,010,000 in cash on September 30, 2022. The reason for the decrease in our cash balance was due to the operating expenses describe above. Cash used in operations for the nine months ended September 30, 2023, was \$469,000 as compared to cash used in operations of \$520,000 for the nine months ended September 30, 2022. The reason for the decrease in cash used in operations is related to the increase in our operating expenses offset by cash received under our Collaboration and Development Agreement with the IEC.

Net cash used in investing activities was \$18,000 for the nine months ended September 30, 2023, as compared to net cash used in investing activities of \$30,000 for the nine months ended September 30, 2022. The decrease is mainly related to a lease deposit paid during April 2022.

On September 2, 2019, we executed a promissory note having a total principal amount of \$35,000 bearing interest at a 6% per annum and maturing on September 2, 2021 (the "Promissory Note"). The Promissory Note was a non-recourse and carried no personal guarantees. In conjunction with the consummation of the Share Exchange, and as a condition thereof, on March 6, 2020, we entered into several Securities Exchange Agreements, on the same terms, to exchange the Promissory Note for 9,623,621 shares of our common stock, par value \$0.0001 per share (the "Common Stock"). On May 18, 2021, we issued 54,019 shares of Common Stock of the Company, to several holders pursuant to the terms of the Security Exchange Agreements pursuant to which, such holders were entitled to an anti-dilution clause in the event that the convertible debentures were converted into shares of our Common Stock.

In connection with the Share Exchange, immediately prior to the Effective Time, we entered into several convertible loan agreements, on the same terms, in the aggregate amount of \$965,000 (each, a "Convertible Loan Agreement"). The terms of the Convertible Loan Agreements required repayment of the borrowed amount by the one-year anniversary of the Effective Time, unless, at our discretion, and subject to its compliance with any and all terms of the material terms of the Convertible Loan Agreements, the term of such loans is extended for an additional twelve (12) month period. The terms of the Convertible Loan Agreements also provide that we may repay any portion of the remaining outstanding loan amount, without penalty, provided, however, that the Company provides the specific lender with three business days' written notice prior to such repayment, during which time the lender may elect to convert any or all of the outstanding loan amount into shares of Common Stock of the Company. The Convertible Loan Agreements bore simple interest at a rate equal to 15% per annum, payable on the 15th day of each calendar month. On December 9, 2020, we utilized our rights under the Convertible Loan Agreements and extended the terms of the loans for an additional twelve months. As of March 31, 2021, the Convertible Loan Agreements had an aggregate outstanding principal balance of \$835,000. During May 2021, we repaid the full balance of the principal of the convertible loans in the amount of \$835,000.

Also, in connection with the Share Exchange, we entered into securities exchange agreements (each, an "Exchange Agreement") with our outstanding debt, Alpha Capital Anstalt ("Alpha") and GreenBlock Capital LLC ("GBC") to respectively cancel existing debentures or debt in the total amount of \$658,323 and in exchange issue new debentures in the aggregate amount of \$400,000 and issue 698,755 and 65,198 shares of Common Stock to each of Alpha and GBC, respectively. The New Debentures matured three years from the Effective Date, bore interest at a rate of 8% per year and were only convertible into shares of the Company's Common Stock, at an original conversion price of \$0.3740 (the "Original Conversion Price"); provided, however, that such Original Conversion Price shall be adjusted downward in the event that the Company, as applicable, sells or grants any options to purchase or sells or grants any right to reprice, or otherwise dispose or issues any Common Stock or common stock equivalents entitling any purchaser to acquire shares of the Company's Common Stock at an effective price per share that is lower than the Original Conversion Price (such issuance, a "Dilutive Event"). In the event of a Dilutive Event at any time from the Effective Time through the six (6) month anniversary of the Effective Time, any such adjustment shall occur immediately after the completion of such period. As of March 31, 2021, the convertible debentures had an aggregate outstanding principal balance of \$200,000. Subsequent to March 31, 2021, a portion of the convertible debentures, representing an aggregate amount of \$110,614 (including interest) was converted into 295,759 shares of Common Stock. During May 2021, we prepaid the full balance of the principal and interest amount of the convertible debentures in the amount of \$108,541.

On May 11, 2021, we entered into Securities Purchase Agreements (the “Securities Purchase Agreements”) with eight (8) non-U.S. investors (the “Investors”), pursuant to which we, in a private placement offering (the “Offering”), agreed to issue and sell to the Investors an aggregate of: (i) 12,500,000 shares of our Common Stock at a price of \$0.40 per share; and (ii) warrants (the “Warrants”) to purchase 12,500,000 of our Common Stock. The Warrants are exercisable immediately and for a term of 18 months and have an exercise price of \$0.40 per share. The aggregate gross proceeds from the Offering were approximately \$5,000,000 and the Offering closed on May 11, 2021. On April 5, 2022, we entered into an agreement with the Investors pursuant to which we extended the term of the Warrants, to expire on November 11, 2023. On November 1, 2023, we and the Investors executed a second extension agreement, such that the term of the Warrants was extended so that they now expire on November 11, 2024.

We believe that we have sufficient cash to fund our operations for at least the next 12 months. Readers are advised that available resources may be consumed more rapidly than currently anticipated, resulting in the need for additional funding sooner than expected. Should this occur, we will need to seek additional capital earlier than anticipated in order to fund (1) further development and, if needed (2) expenses which will be required in order to expand manufacturing of our products, (3) sales and marketing efforts and (4) general working capital. Such funding may be unavailable to us on acceptable terms, or at all. Our failure to obtain such funding when needed could create a negative impact on our stock price or could potentially lead to the failure of our company. This would particularly be the case if we are unable to commercially distribute our products and services in the jurisdictions and in the timeframes we expect.

Off-Balance Sheet Arrangements

As of September 30, 2023, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company and therefore are not required to provide the information for this item of Form 10-Q.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Report, our Chief Executive Officer and Chief Financial Officer (the “Certifying Officers”), conducted evaluations of our disclosure controls and procedures. As defined under Sections 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the term “disclosure controls and procedures” means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including the Certifying Officers, to allow timely decisions regarding required disclosures.

Based on their evaluation, the Certifying Officers concluded that, as of September 30, 2023, our disclosure controls and procedures were not effective, at the above-described reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION**Item 1. Risk Factors.**

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, which could materially affect our business, financial condition, or future results.

Our principal executive offices and other significant operations are located in Israel, and, therefore, our results may be adversely affected by political, economic and military instability in Israel, including the recent attack by Hamas and other terrorist organizations from the Gaza Strip and Israel’s war against them.

Our executive offices and corporate headquarters are located in Israel. In addition, our officers and directors are residents of Israel. Accordingly, political, economic and military and security conditions in Israel and the surrounding region may directly affect our business. Any conflicts, political instability, terrorism, cyberattacks or any other hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could adversely affect our operations. Ongoing and revived hostilities in the Middle East or other Israeli political or economic factors, could harm our operations.

In October 2023, Hamas terrorists infiltrated Israel’s southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on Israeli population and industrial centers located along Israel’s border with the Gaza Strip and in other areas within the State of Israel. These attacks resulted in extensive deaths, injuries and kidnapping of civilians and soldiers. Following the attack, Israel’s security cabinet declared war against Hamas and a military campaign against these terrorist organizations commenced in parallel to their continued rocket and terror attacks.

The intensity and duration of Israel’s current war against Hamas is difficult to predict, as are such war’s economic implications on the Company’s business and operations and on Israel’s economy in general. These events may be intertwined with wider macroeconomic indications of a deterioration of Israel’s economic standing, which may have a material adverse effect on the Company and its ability to effectively conduct some of its operations.

In connection with the Israeli security cabinet’s declaration of war against Hamas and possible hostilities with other organizations, several hundred thousand Israeli military reservists were drafted to perform immediate military service. Certain of our employees and consultants (and their spouses or partners) in Israel have been called, and additional employees (or their spouses or partners) may be called, for service in the current or future wars or other armed conflicts with Hamas, and such persons may be absent for an extended period of time. As a result, our operations in Israel may be disrupted by such absences, which disruption may materially and adversely affect our business, prospects, financial condition and results of operations.

Following the attack by Hamas on Israel’s southern border, Hezbollah in Lebanon has also launched missile, rocket and shooting attacks against Israeli military sites, troops, and Israeli towns in northern Israel. In response to these attacks, the Israeli army has carried out a number of targeted strikes on sites belonging to Hezbollah in southern Lebanon. It is possible that other terrorist organizations, including Palestinian military organizations in the West Bank, as well as other hostile countries, such as Iran, will join the hostilities. Such hostilities may include terror and missile attacks. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial condition or the expansion of our business. A campaign of boycotts, divestment and sanctions has been undertaken against Israel, which could also adversely impact our business.

Prior to the Hamas attack in October 2023, the Israeli government pursued extensive changes to Israel's judicial system. In response to the foregoing developments, individuals, organizations and institutions, both within and outside of Israel, have voiced concerns that the proposed changes may negatively impact the business environment in Israel including due to reluctance of foreign investors to invest or transact business in Israel as well as to increased currency fluctuations, downgrades in credit rating, increased interest rates, increased volatility in securities markets, and other changes in macroeconomic conditions. The risk of such negative developments has increased in light of the recent Hamas attacks and the war against Hamas declared by Israel, regardless of the proposed changes to the judicial system and the related debate. To the extent that any of these negative developments do occur, they may have an adverse effect on our business, our results of operations and our ability to raise additional funds, if deemed necessary by our management and board of directors.

Item 6. Exhibits.

No.	Description of Exhibit
10.1	<u>Warrant Extension Agreement, dated November 1, 2023, between UAS Drone Corp. and the investors signatory thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on November 3, 2023).</u>
31.1*	<u>Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a).</u>
31.2*	<u>Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a).</u>
32.1**	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.</u>
32.2**	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.</u>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

Date: November 9, 2023

UAS Drone Corp.

By: /s/ Yossef Balucka

Name: Yossef Balucka

Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ Shlomo Zakai

Name: Shlomo Zakai

Title: Chief Financial Officer
(Principal Financial Officer)