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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from _____to _____

Commission File Number: **001-38892**

BEYOND AIR, INC.
(Exact name of registrant as specified in its charter)

Delaware	**47-3812456**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
900 Stewart Avenue, Suite 301 Garden City, NY	**11530**
(Address of principal executive offices)	(Zip Code)

516-665-8200
(Registrant's telephone number, including area code)

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

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common Stock, par value $0.0001 per share	**XAIR**	**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 ☒

As of November 11, 2024, there were 72,187,636 shares of common stock, par value $ 0.0001 per share, outstanding.

BEYOND AIR, INC. AND SUBSIDIARIES
INDEX TO FORM 10-Q FILING
FOR THE PERIOD ENDED SEPTEMBER 30, 2024

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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BEYOND AIR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share and per share data)

	September 30, 2024 (Unaudited)	March 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 28,447	$ 11,378
Marketable securities	-	23,090
Restricted cash	230	230
Accounts receivable	556	319
Inventory, net	2,527	2,127
Other current assets and prepaid expenses	6,275	6,792
Total current assets	38,036	43,936
Licensed right to use technology	1,325	1,427
Right-of-use lease assets	1,897	2,121
Property and equipment, net	11,648	9,364
Other assets	105	113
TOTAL ASSETS	$ 53,010	$ 56,961
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 1,490	$ 1,948
Accrued expenses and other current liabilities	4,470	8,402
Operating lease liability, current portion	381	418
Loans payable, current portion	258	800
Total current liabilities	6,599	11,567
Operating lease liability, net	1,690	1,898
Long-term debt, net	10,940	14,721
Long term liability, related party	4,427	-
Warrant Liability	60	275
Derivative liability	-	1,314
Total liabilities	23,716	29,775
Stockholders' equity		

Preferred Stock, $0.0001 par value per share: 10,000,000 shares authorized, 0 shares issued and outstanding	-	-
Common Stock, $0.0001 par value per share: 100,000,000 shares authorized, 72,187,636 and 45,900,821 shares issued and outstanding as of September 30, 2024 and March 31, 2024, respectively	7	5
Treasury stock	(25)	(25)
Additional paid-in capital	293,391	264,780
Accumulated deficit	(265,255)	(239,697)
Accumulated other comprehensive income (loss)	9	(15)
Total stockholders' equity attributable to Beyond Air, Inc	28,127	25,048
Non-controlling interest	1,167	2,138
Total equity	29,294	27,186
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 53,010	$ 56,961

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

BEYOND AIR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(amounts in thousands, except share and per share data)
(UNAUDITED)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2024	2023	2024	2023
Revenues	$ 798	$ 239	$ 1,481	$ 298
Cost of revenues	1,882	432	2,897	735
Gross loss	(1,084)	(193)	(1,416)	(437)
Operating expenses:				
Research and development	(4,585)	(7,130)	(10,594)	(11,826)
Selling, general and administrative	(7,163)	(10,211)	(14,402)	(21,147)
Total Operating expenses	(11,748)	(17,342)	(24,995)	(32,972)
Loss from Operations	(12,833)	(17,535)	(26,412)	(33,410)
Other income (expense)				
Dividend/interest income	150	641	511	1,050
Interest and finance expense	(927)	(914)	(1,891)	(1,072)
Change in fair value of warrant liability	(4)	324	214	647
Change in fair value of derivative liability	256	500	1,314	1,012
Foreign exchange gain/ (loss)	74	(42)	(72)	(34)
Loss on extinguishment of debt	(624)	-	(624)	-
Loss on disposal of fixed assets	(171)	-	(171)	-
Estimated liability for contingent loss	-	(400)	-	(598)
Other income / (expense)	49	-	48	(77)
Total other income/ (expense)	(1,196)	109	(671)	929
Net loss before income taxes	$ (14,029)	$ (17,426)	$ (27,083)	$ (32,481)
Provision for income taxes	-	-	-	-
Net loss	$ (14,029)	$ (17,426)	$ (27,083)	$ (32,481)
Less : net loss attributable to non-controlling interest	(671)	(1,205)	(1,525)	(2,165)
Net loss attributable to Beyond Air, Inc.	(13,358)	(16,220)	(25,559)	(30,315)
Foreign currency translation loss	(79)	(35)	24	(9)
Comprehensive loss attributable to Beyond Air, Inc.	$ (13,438)	$ (16,255)	$ (25,535)	$ (30,325)
Net basic and diluted loss per share attributable to Beyond Air, Inc.	$ (0.28)	$ (0.51)	$ (0.55)	$ (0.96)
Weighted average number of shares, outstanding, basic and diluted	47,118,535	31,800,492	46,513,005	31,592,880

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

BEYOND AIR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2024
(amounts in thousands, except share data)

	Common Stock		Treasury	Additional Paid-in	Accumulated	Accumulated Other Comprehensive (loss)	Non-Controlling	Total
	Number	Amount	Stock	Capital	Deficit	Income	Interest	Equity
Balance as of April 1, 2024	45,900,821	$ 5	$ (25)	$ 264,780	$ (239,697)	$ (15)	$ 2,138	$ 27,186
Issuance of common stock warrants	-	-	-	86	-	-	-	86
Stock-based compensation	-	-	-	3,093	-	-	285	3,379
Other comprehensive income	-	-	-	-	-	103	-	103
Net loss	-	-	-	-	(12,201)	-	(854)	(13,055)
Balance as of June 30, 2024	45,900,821	$ 5	$ (25)	$ 267,960	$ (251,898)	$ 88	$ 1,570	$ 17,699

	Common Stock		Treasury	Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Non-Controlling	Total
	Number	Amount	Stock	Capital	Deficit	loss	Interest	Equity
Balance as of July 1, 2024	45,900,821	$ 5	$ (25)	$ 267,960	$ (251,898)	$ 88	$ 1,570	$ 17,699
Sale of common stock and pre-funded warrants	24,999,999	2	-	18,856	-	-	-	18,858
Issuance of warrants through September 2024 debt agreement				3,073				3,073
At the market equity offering stock issuance of common stock, net	1,286,816	-	-	642	-	-	-	642
Stock-based compensation	-	-	-	2,862	-	-	268	3,129
Other comprehensive loss	-	-	-	-	-	(79)	-	(79)
Net loss	-	-	-	-	(13,358)	-	(671)	(14,029)
Balance as of September 30, 2024	72,187,636	$ 7	$ (25)	$ 293,391	$ (265,255)	$ 9	$ 1,167	$ 29,294

BEYOND AIR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2023
(amounts in thousands, except share data)

	Common Stock		Treasury	Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Non-Controlling	Total
	Number	Amount	Stock	Capital	Deficit	Income	Interest	Equity
Balance as of April 1, 2023	30,738,585	$ 3	$ (25)	$ 217,339	$ (179,455)	$ 53	$ 4,113	$ 42,028
Issuance of common stock upon exercise of options	42,500	-	-	217	-	-	-	217
At the market equity offering stock issuance of common stock, net	930,232	-	-	5,813	-	-	-	5,813
Stock-based compensation	-	-	-	5,580	-	-	535	6,115
Other comprehensive income	-	-	-	-	-	25	-	25
Net loss	-	-	-	-	(14,095)	-	(960)	(15,055)
Balance as of June 30, 2023	31,711,317	$ 3	$ (25)	$ 228,949	$ (193,550)	$ 78	$ 3,688	$ 39,143

	Common Stock		Treasury	Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Non-Controlling	Total
	Number	Amount	Stock	Capital	Deficit	Income	Interest	Equity
Balance as of July 1, 2023	31,711,317	$ 3	$ (25)	$ 228,949	$ (193,550)	$ 78	$ 3,688	$ 39,143
Issuance of common stock upon exercise of options	-	-	-	-	-	-	-	-
At the market equity offering stock issuance of common stock, net	261,117	-	-	688	-	-	-	688
Stock-based compensation	-	-	-	5,858	-	-	603	6,460
Other comprehensive income	-	-	-	-	-	(35)	-	(35)
Net loss	-	-	-	-	(16,220)	-	(1,205)	(17,426)
Balance as of September 30, 2023	31,972,434	$ 3	$ (25)	$ 235,495	$ (209,770)	$ 43	$ 3,085	$ 28,831

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

BEYOND AIR, INC. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(amounts in thousands)

	For the Six Months Ended

	September 30,	
	2024	2023
Cash flows from operating activities		
Net loss	$ (27,083)	$ (32,481)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	1,468	682
Amortization of licensed right to use technology	102	102
Stock-based compensation	6,508	12,575
Amortization of debt discount	778	413
Change in fair value of warrant liability	(214)	(647)
Change in fair value of derivative liability	(1,314)	(1,012)
Amortization of operating lease assets	206	175
Foreign currency adjustments	-	1
Loss on extinguishment of debt	624	
Loss on termination of right of use asset	49	-
Write-off of assets no longer used	171	-
Unrealized gain/(loss) in marketable securities	(9)	105
Provision for inventory losses	333	61
Changes in:		
Grant receivable	-	420
Inventory	(732)	(505)
Accounts receivable	(237)	(205)
Other current assets and prepaid expenses	516	367
Accounts payable	(517)	1,277
Accrued expenses	(3,932)	(12,605)
Operating lease liabilities	(246)	(194)
Net cash used in operating activities	$ (23,528)	$ (31,472)
Cash flows from investing activities		
Purchase of marketable securities	(18,481)	(55,213)
Proceeds from sale of marketable securities	41,581	46,269
Issue of/return of security deposits	10	-
Purchase of property and equipment	(3,848)	(2,477)
Net cash provided by and (used in) investing activities	$ 19,261	$ (11,421)
Cash flows from financing activities		
Proceeds from issuance of common stock through at the market offerings	642	6,501
Issuance of common stock warrants	86	-
Issuance of common stock and pre-funded warrants through securities purchase agreement II	18,858	217
Proceeds from loan	7,500	15,817
Payment of loan	(5,726)	(500)
Net cash provided by financing activities	$ 21,360	$ 22,036
Effect of exchange rate changes on cash and cash equivalents	(23)	(19)
Increase/(Decrease) in cash, cash equivalents and restricted cash	$ 17,069	$ (20,876)
Cash, cash equivalents and restricted cash at beginning of period	11,608	39,287
Cash, cash equivalents and restricted cash at end of period	$ 28,677	$ 18,410
Supplemental disclosure of non-cash investing and financing activities		
Debt discount	$ 853	$ 4,541
End of term loan liability	$ (138)	$ (613)
Warrant liability	$ (214)	$ (885)
Derivative liability	$ (1,314)	$ (1,361)
Right-of-use assets	$ (309)	$ -
Operating lease liability	$ (309)	$ -
Cash receivable as part of Securities Purchase Agreement II	$ 370	$ -
Supplemental disclosure of cash flow items:		
Interest paid	$ 1,110	$ 369
Income taxes paid	$ -	$ -

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

BEYOND AIR, INC. AND ITS SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 ORGANIZATION AND BUSINESS

Beyond Air, Inc. (together with its subsidiaries, "Beyond Air" or the "Company") was incorporated on April 28, 2015 under Delaware law. On June 25, 2019, the Company's name was changed to Beyond Air, Inc. from AIT Therapeutics, Inc.

The Company is a commercial-stage medical device and biopharmaceutical company developing a platform of nitric oxide ("NO") generators and delivery systems (the "LungFit® platform") capable of generating NO from ambient air. The Company's first device, LungFit ® PH ("LungFit® PH") received premarket approval ("PMA") from the U.S. Food and Drug Administration ("FDA") in June 2022. The NO generated by the LungFit® PH system is indicated to improve oxygenation and reduce the need for extracorporeal membrane oxygenation in term and near-term (>34 weeks gestation) neonates with hypoxic respiratory failure associated with clinical or echocardiographic evidence of pulmonary hypertension in conjunction with ventilatory support and other appropriate agents. This condition is commonly referred to as persistent pulmonary hypertension of the newborn ("PPHN"). The LungFit® platform can generate NO up to 400 parts per million ("ppm") for delivery to a patient's lungs directly or via a ventilator. LungFit® can deliver NO either continuously or for a fixed amount of time at various flow rates and has the ability to either titrate dose on demand or maintain a constant dose. In July

2022, the Company commenced marketing LungFit® PH in the United States for PPHN as a medical device.

LungFit® can be used to treat patients on ventilators that require NO, as well as patients with chronic or acute severe lung infections via delivery through a breathing mask or similar apparatus. Furthermore, the Company believes that there is a high unmet medical need for patients suffering from certain severe lung infections that the LungFit® platform can potentially address. The Company's other areas of focus with the LungFit ® platform beyond PPHN are viral community-acquired pneumonia ("VCAP") including COVID-19, bronchiolitis ("BRO"), nontuberculous mycobacteria ("NTM") lung infection and those with various severe lung infections with underlying chronic obstructive pulmonary disease ("COPD").

With Beyond Air's focus on NO and its effect on the human condition, the Company has two additional programs that do not utilize the LungFit ® system. Through the Company's majority-owned affiliate Beyond Cancer, Ltd. ("Beyond Cancer") NO is used to target solid tumors. The LungFit® platform is not utilized for the solid tumor indication due to the need for ultra-high concentrations of gaseous nitric oxide ("UNO"). A proprietary delivery system has been developed that is designed to safely deliver UNO in excess of 10,000 ppm directly to a solid tumor. This program has advanced to phase 1 human clinical trials.

On November 4, 2021, Beyond Air reorganized its oncology business into a new private company called Beyond Cancer. Beyond Air's preclinical oncology team and the exclusive right to the intellectual property portfolio utilizing UNO for the treatment of solid tumors now reside with Beyond Cancer. Beyond Air has 80% ownership in Beyond Cancer.

The second program which does not utilize the LungFit® platform partially inhibits neuronal nitric oxide synthase (nNOS) in the brain to treat neurological conditions. The first target indication is autism spectrum disorder ("ASD"). On June 15, 2023, the Company announced that it has entered into an agreement with Yissum Research Development Company of the Hebrew University of Jerusalem, LTD. (the "University") to acquire the commercial rights for nNOS inhibitors being developed for the treatment of ASD and other neurological conditions. Currently, there are no FDA-approved therapies specifically for the treatment of ASD. Under the terms of the agreement, Beyond Air will make payments to the University over the three-year period from the date of the agreement for pre-clinical work. Also, the Company will pay a low single-digit royalty on net sales and certain one-time payments based on clinical, regulatory and sales milestones. The Company expects this program to progress from preclinical to a phase 1 first-in-human clinical trial by the end of 2025.

The Company's current product candidates will be subject to premarket reviews and approvals by the FDA, certification through the conduct of a conformity assessment by a notified body in the European Union (the "EU"), as well as comparable foreign regulatory authorities' reviews or approvals in other countries or regions.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND OTHER RISKS AND UNCERTAINTIES

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") for interim financial information and with the instructions to the Form 10-Q. Accordingly, they do not include all the information and footnotes required to be presented for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring items) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The accompanying unaudited condensed consolidated balance sheet as of September 30, 2024 has been derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended March 31, 2024 (the "2024 Annual Report"), filed with the U.S. Securities and Exchange Commission (the "SEC") on June 24, 2024. The unaudited condensed consolidated financial statements and related disclosures should be read in conjunction with the Company's audited consolidated financial statements and the related notes thereto included in the 2024 Annual Report on Form 10-K.

Principles of Consolidation

These unaudited condensed consolidated financial statements include the accounts of the Company and the accounts of all of the Company's subsidiaries and a variable interest entity ("VIE") for which the Company is the primary beneficiary. As the Company has both the power to direct activities of Beyond Cancer that most significantly impact Beyond Cancer's economic performance and the right to receive benefits and losses that may potentially be significant, these financial statements are fully consolidated with those of the Company. The non-controlling owners' 20% interest in Beyond Cancer's net assets and result of operations is reported as "non-controlling interest" on the Company's unaudited condensed consolidated balance sheets and as "net loss attributable to non-controlling interest" in the Company's consolidated statements of operations and comprehensive loss. All intercompany balances and transactions have been eliminated in the accompanying unaudited condensed consolidated financial statements.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. Of the restricted cash originally recorded in the unaudited condensed consolidated statement of cash flows for the three months ended September 30, 2023, $2.5 million has been reclassified and is now recorded in prepaid assets. These reclassifications had no effect on the reported results of operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could significantly differ from those estimates. On an ongoing basis, the Company evaluates its significant estimates and assumptions including expense recognition and accrual assumptions under consulting and clinical trial agreements, stock-based compensation, impairment assessments, accounting for licensed rights to use technologies and other long-lived assets, contingency recognition and accruals and the determination of valuation allowance requirements on deferred tax attributes.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND OTHER RISKS AND UNCERTAINTIES (continued)

Liquidity and Other Uncertainties

The Company used cash in operating activities of $ 23.5 million for the six months ended September 30, 2024, and has accumulated losses attributable to the stockholders of Beyond Air of $265.3 million. The Company had cash, cash equivalents and marketable securities of $ 28.7 million as of September 30, 2024. Management believes these factors raise substantial doubt about the Company's ability to meet its obligations with cash on hand, however, management believes this doubt is alleviated through plans for increased revenues and decreased expenditures, many of which have already been implemented, enabling increased cash flows. The company has recently signed agreements with TrillaMed (providing access to Department of Defense and Veterans Affairs hospitals), Healthcare Links (expanding access to group purchasing organizations and integrated delivery networks) and Business Asia Consultants (accelerating global expansion) which will drive increased revenues. The company has implemented a capital conservation strategy, reducing our back office footprint, reducing staffing levels by over 30% across the company, placing our VCAP study on hold pending future funding and adjusting our production forecasts. The Company expects an immediate benefit from these actions.

Management is confident that the efforts it has implemented to increase revenues and decrease expenditures, while not assured, will enable the Company to meet its obligations.

The Company's future capital needs and the adequacy of its available funds will depend on many factors, including, but not necessarily limited to, the success and costs of commercialization of the Company's approved product and the actual cost and time necessary for current and anticipated preclinical studies, clinical trials and other actions needed to obtain certification or regulatory approval of the Company's product candidates.

On September 27, 2024, Beyond Air entered into a binding term sheet for a secured loan with certain lenders including its Chief Executive Officer Steven Lisi and director Robert Carey. The Term Sheet was approved by each of the Company's independent and disinterested directors, following the receipt of a recommendation from an independent investment bank. The Term Sheet provides for the following expected terms: (i) principal amount of $11,500,000; (ii) ten-year term; (iii) interest of 15% per annum which shall be payable in kind through July 2026; (iv) a royalty interest of 8% of the Company's net sales on a quarterly basis from July 2026 until the facility is repaid in full; and (v) the Company shall issue the lenders warrants to purchase shares of the Company's common stock at an exercise price of $0.3793 per share, in an aggregate amount equal to the quotient of the principal divided by the exercise price. The Company finalized this loan and security agreement on November 1, 2024. (See Note 14)

On September 26, 2024, the Company, entered into a securities purchase agreement (the "Securities Purchase Agreement II") with certain institutional and accredited investors, including certain directors and officers of the Company. Pursuant to the purchase agreement, the Company sold to the investors in a private placement offering, an aggregate of 24,999,999 shares of Common Stock", at a purchase price of $ 0.5043 per Share, (ii) pre-funded warrants to purchase up to 15,848,712 shares of common stock at a purchase price of $ 0.5042 per pre-funded warrant and (iii) warrants to purchase up to 40,848,711 shares of common stock, for aggregate for gross proceeds of $ 20.6 million (which includes $ 2.0 million from related parties). Each share and each pre-funded warrant was sold with an accompanying common warrant to purchase one share of common stock. The pre-funded warrants have an exercise price of $0.0001 per share, and the common warrants have an exercise price of $ 0.3793 per share. Members of the Board of Directors and certain executives of the Company are considered related parties to this offering. The offering closed on September 30, 2024. The Company received net proceeds of $18.9 million after deductions for placement agent commissions and other offering costs of $ 1.4 million and $ 0.3 million, respectively. (See Note 4)

In addition, Beyond Air and Avenue Capital Management II, L.P., Avenue Venture Opportunities Fund, L.P. and Avenue Venture Opportunities Fund II, L.P. ("collectively, Avenue Capital") reached an agreement to extinguish the Avenue Capital senior secured term loan for a one-time payment of $ 17.85 million. This agreement eliminates the debt and interest payments that would have been made to Avenue Capital from October 1, 2024 through June 30, 2026 of $12.0 million. In connection with this agreement $ 5.0 million was paid on September 27, 2024 in partial settlement. The Company remeasured the fair value of the derivative liability to $0 at September 30, 2024 as Avenue Capital did not exercise the conversion right related to the loan agreement prior to the extinguishment of the loan agreement and the conversion price exceeded the fair market value of the underlying securities. The final $12.85 million was paid on October 4, 2024. Avenue Capital invested $3.35 million in the securities purchase agreement II at the same terms and conditions as all other investors. (See Note 14)

With respect to Beyond Cancer, discussions are underway with investment banks to raise capital based on their most recent top line data from the phase 1a, first-in-human trial which was successful in the first 6 patients with no dose limiting toxicities at the first dose. A combination study with anti-PD1 therapy is expected to begin before the end of calendar 2024 if the company is successful in raising capital.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND OTHER RISKS AND UNCERTAINTIES (continued)

Other Risks and Uncertainties

The Company is subject to risks common to development and early-stage medical device companies including, but not limited to, new technological innovations, certifications or regulatory approval, dependence on key personnel, protection of proprietary technology, compliance with government regulations, product liability, uncertainty of market acceptance of approved products and the potential need to obtain additional financing. The Company is also dependent on third-party suppliers and, in some cases, single-source suppliers.

The Company's products require approval or clearance from the FDA prior to commencement of commercial sales in the United States. There can be no assurance that the Company's products beyond LungFit® PH in the U.S. will receive the required approvals or clearances. Certifications, approvals or clearances are also required in foreign jurisdictions in which the Company may license or sell its products. If the Company is denied such certifications or approvals or clearances or such certifications, approvals or clearances are delayed, such denial or delay may have a material adverse impact on the Company's results of operations, financial position and liquidity. Further, there can be no assurance that the Company's product will be accepted in the marketplace, nor can there be any assurance that any future products can be developed or manufactured at an acceptable cost and with appropriate performance characteristics, or that such products will be successfully marketed, if at all.

Lease Revenue Recognition

The Company generates revenue from the leases of its LungFit® PH devices to its customers under fixed fee arrangements over periods of up to three years. The fixed fee is typically broken down into ratable monthly payments over the term of the arrangement. The Company's customers include hospitals and medical facilities. The Company's LungFit® PH leases include filters, calibration gas, bagging kits, cables, adapters, and other components and accessories required to use the LungFit® PH device (the "Consumables"). The Consumables' quantities are varied and may be supplied upon demand of the customers and are unlimited, or the arrangement may provide for the maximum quantities available to the customer over the term of the arrangement. The Company's LungFit® PH leases also include maintenance and training required to use the LungFit® PH device, as well as device back-up services (the "Services"), which are recorded in cost of revenue.

The Company accounts for its rental arrangements of LungFit® PH devices in accordance with Accounting Standards Codification 842, Leases ("ASC 842"). Under ASC 842, leases may be classified as either financing, sales-type, or operating, and the Company is required to disclose key information

about leasing arrangements. The classification determines the pattern of revenue recognition and classification within the statement of operations and comprehensive loss. The Company typically classifies the rental arrangement of its LungFit® PH contracts as operating leases. The Company's leases do not contain any restrictive covenants or any material residual value guarantees. The Company's equipment leases may contain renewal options which range from one month to two years. The lease term is adjusted for renewal or termination options that the Company believe the customer is reasonably certain to exercise.

The Company elected the practical expedient applied to operating leases not to separate lease and non-lease components as long as the lease and at non-lease components have the same timing and pattern of transfer. As such, the non-lease components, including the Consumables and Services, are combined with the predominant lease component. The total fixed fees that the Company is reasonably certain to collect are recognized on a straight line basis over the term of the arrangement. Additionally, the Company made an accounting policy election to present LungFit® PH revenue net of sales and other similar taxes.

Amounts billed in advance of performance obligations being satisfied are recognized as deferred revenue.

At the lease commencement date, the Company will defer initial direct costs, including commission expense and the cost is recognized over the lease term on the same basis as lease income.

The Company records the costs of shipping related to contract devices and consumables in cost of revenue in its consolidated statements of operations.

See Note 12 to the unaudited condensed consolidated financial statements for more information regarding leasing arrangements.

Fair Value Measurements

As of September 30, 2024 and March 31, 2024, the Company's financial instruments included restricted cash, marketable securities, accounts payable, long-term debt and liability classified warrants. In addition, as of March 31, 2024, the Company's financial instruments also included derivative liabilities. The carrying amounts reported in the accompanying consolidated financial statements for cash and cash equivalents, restricted cash and marketable securities approximate their respective fair values because of the short-term nature of these accounts. The carrying value of the Company's long-term debt approximates fair value based on current interest rates for similar types of borrowings and is in Level 3 of the fair value hierarchy. The liability classified warrants and derivative liabilities are each recorded at their fair value and are Level 3 of the fair value hierarchy.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND OTHER RISKS AND UNCERTAINTIES (continued)

The following table presents, for each of the fair value hierarchy levels required under ASC 820, the Company's assets and liabilities that are measured at fair value on a recurring basis:

The fair value amounts as of September 30, 2024 are:

(in thousands)	Total	Level 1	Level 2	Level 3
Marketable securities:				
Corporate debt securities	$ -	$ -	$ -	$ -
Government securities	-	-	-	-
Mutual funds	-	-	-	-
Total assets measured and recorded at fair value	$ -	$ -	$ -	$ -
Liabilities:				
Warrant liability	$ 60	$ -	$ -	$ 60
Derivative liability	-	-	-	-
Total liabilities measured and recorded at fair value	$ 60	$ -	$ -	$ 60

The fair value amounts as of March 31, 2024 are:

(in thousands)	Total	Level 1	Level 2	Level 3
Marketable securities:				
Corporate debt securities	$ -	$ -	$ -	$ -
Government securities	16,388	16,388	-	-
Mutual funds	6,702	6,702	-	-
Total assets measured and recorded at fair value	$ 23,090	$ 23,090	$ -	$ -
Liabilities:				
Warrant liability	$ 275	$ -	$ -	$ 275
Derivative liability	1,314	-	-	1,314
Total liabilities measured and recorded at fair value	$ 1,589	$ -	$ -	$ 1,589

Level 3 Valuation

The common stock warrants issued in connection with the Loan and Security Agreement in June 2023 (Note 11) are recorded as a warrant liability within the unaudited condensed consolidated balance sheet as of September 30, 2024 as the warrants contain certain settlement features that are not indexed to the Company's own stock. In addition, the conversion feature embedded within the long term debt required bifurcation as certain adjustments to the conversion price were not indexed to the Company's own stock and recorded as a derivative liability. The warrants and derivative liability are remeasured each reporting period with the change in fair value recorded to other income (expense) in the condensed consolidated statement of operations and comprehensive loss until the warrants and derivative are exercised, expired, reclassified or otherwise settled. The significant assumptions used in valuing the warrants and derivative were as follows:

At September 30, 2024	Warrants	Derivative
Expected term (in years)	3.75	-
Volatility	90%	-
Risk-free rate	3.58%	-

At March 31, 2024	Warrants	Derivative
Expected term (in years)	4.25	3.25
Volatility	88%	86%
Risk-free rate	4.09%	4.38%

The bifurcated derivative liability was revalued to zero at September 30, 2024 as the conversion feature has a 30% premium to the latest price per round, and was known/knowable at September 30, 2024 to not be exercised by the Lenders by October 4, 2024 due to the conversion price exceeding the fair market value of the underlying securities. Accordingly, there was $0 fair value to the conversion feature derivative as of September 30, 2024.

On September 27, 2024, the company received $7.5 million as an advance payment on a loan and security agreement (See Note 14). As part of the loan and security agreement, the company issued warrants to the lenders (See Note 13).

At September 30, 2024	Warrants
Expected term (in years)	5
Volatility	93.41%
Risk-free rate	3.58%

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND OTHER RISKS AND UNCERTAINTIES (continued)

The table presented below is a summary of changes in the fair value of the Company's Level 3 valuation for the warrants and derivatives for the six months ended September 30, 2024 (in thousands):

	Warrants	Derivative
Balance at March 31, 2024	$ 275	$ 1,314
Issuances	-	-
Change in fair value	(214)	(1,314)
Balance at September 30, 2024	$ 60	$ -

The table presented below is a summary of changes in the fair value of the Company's Level 3 valuation for the warrants and derivatives for the six months ended September 30, 2023 (in thousands):

	Warrants	Derivative
Issuances	$ 885	$ 1,361
Change in fair value	(647)	(1,012)
Balance at September 30, 2023	$ 238	$ 349

Cash and Cash Equivalents, Short-Term Investments and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase and an investment in a U.S. government money market fund to be cash equivalents. The Company maintains its cash and cash equivalents in highly rated financial institutions in Australia, Israel, Ireland and the U.S., the balances of which, at times, may exceed federally insured limits. Marketable securities include investment in fixed income bonds and U.S. Treasury securities that are considered to be highly liquid and easily tradeable. The marketable securities are considered trading securities and are measured at fair value and are accounted for in accordance with ASC 320. The marketable securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within the Company's fair value hierarchy.

As of September 30, 2024 and March 31, 2024, restricted cash included approximately $ 0.2 million and $0.2 million, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times, may exceed the federal depository insurance coverage of $250,000 in the United States, A$ 250,000 in Australia, $25,000 in Bermuda, €100,000 in Ireland and €100,000 in Cyprus. There is currently no official federal depository insurance in Israel. The Company has not experienced losses on these accounts, and management believes the Company is not exposed to significant risks on such accounts. As of September 30, 2024, the Company had greater than $250,000 at United States financial institutions, less than A$250,000 at Australian financial institutions, greater than €100,000 at Irish financial institutions and also has funds on deposit in Israel.

The following table is the reconciliation of the presentation and disclosure of cash, cash equivalents, marketable securities by major security type and restricted cash as shown on the Company's condensed consolidated statements of cash flows for:

(in thousands)	September 30, 2024	March 31, 2024
Cash and cash equivalents	$ 28,447	$ 11,378
Restricted cash	230	230
Total cash, cash equivalents and restricted cash	$ 28,677	$ 11,608
Marketable securities:		
Marketable debt securities		
Corporate debt securities	$ -	$ -
U.S. government securities	-	16,388
Mutual fund (ultra-short-term income)	-	6,702
Total marketable securities	$ -	$ 23,090
Total cash, cash equivalents, marketable securities and restricted cash	$ 28,677	$ 34,698

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND OTHER RISKS AND UNCERTAINTIES (continued)

The following table summarizes the Company's short-term marketable securities with unrealized gains and losses as of September 30, 2024, aggregated by major security type:

(in thousands)	Fair Value	Unrealized Gains
Corporate debt securities	$ -	$ -
U.S. government securities	-	-
Mutual fund (ultra-short-term income)	-	-
Total short-term marketable securities	$ -	$ -

The following table summarizes our short-term marketable securities with unrealized gains and losses as of March 31, 2024, aggregated by major security type:

(in thousands)	Fair Value	Unrealized Gains and (Losses)
Corporate debt securities	$ -	$ -
U.S. government securities	16,388	117
Mutual fund (ultra-short-term income)	6,702	6
Total short-term marketable securities	$ 23,090	$ 123

All marketable securities are A- or higher rated. No marketable securities have maturities greater than 12 months. All investments are level 1 investments.

Segment Reporting

Commencing with the creation of Beyond Cancer in November 2021, the Company's operations became classified into two segments, Beyond Air and Beyond Cancer. Each segment has its own management team, board of directors, corporate officers and legal entities. As of September 30, 2024, Beyond Air, Inc. owns 80% of the common stock of Beyond Cancer. The segment reporting is based on the manner in which the Company's CEO as chief operating decision maker assesses performance and allocates resources across the organization. The Beyond Air segment includes unallocated corporate expenses associated with the public company fees as well as all corporate related assets and liabilities.

The following table summarizes segment financial information by business segment as of September 30, 2024:

(in thousands)	Beyond Air	Beyond Cancer	Total
Cash, cash equivalents, marketable securities and certain restricted cash	$ 22,852	$ 5,825	$ 28,677
All other assets	23,788	544	24,332
Total assets	$ 46,640	$ 6,370	$ 53,010
Total liabilities	$ (23,164)	$ (552)	$ (23,716)
Net assets	$ 23,475	$ 5,819	$ 29,294
Non-controlling interests	$ -	$ 1,167	$ 1,167

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND OTHER RISKS AND UNCERTAINTIES (continued)

The following table summarizes segment financial information by business segment at March 31, 2024:

(in thousands)	Beyond Air	Beyond Cancer	Total
Cash, cash equivalents, marketable securities and certain restricted cash	$ 23,591	$ 10,877	$ 34,468
All other assets	21,747	746	22,493
Total assets	$ 45,338	$ 11,623	$ 56,961
Total liabilities	$ (28,810)	$ (965)	$ (29,775)
Net assets	$ 16,528	$ 10,658	$ 27,186
Non-controlling interests	$ -	$ 2,138	$ 2,138

The following table summarizes segment financial performance by business segment for the six months ended September 30, 2024:

(in thousands)	Beyond Air	Beyond Cancer	Total
Revenue	$ 1,481	$ -	$ 1,481
Net loss for the six months ended September 30, 2024	$ (19,460)	$ (7,623)	$ (27,083)

The following table summarizes segment financial performance by business segment for the three months ended September 30, 2024:

(in thousands)	Beyond Air	Beyond Cancer	Total
Revenue	$ 798	$ -	$ 798
Net loss for the three months ended September 30, 2024	$ (10,683)	$ (3,346)	$ (14,029)

The following table summarizes segment financial performance by business segment for the six months ended September 30, 2023:

(in thousands)	Beyond Air	Beyond Cancer	Total
Revenue	$ 298	$ -	$ 298
Net loss for the six months ended September 30, 2023	$ (21,654)	$ (10,827)	$ (32,481)

The following table summarizes segment financial performance by business segment for the three months ended September 30, 2023:

(in thousands)	Beyond Air	Beyond Cancer	Total
Revenue	$ 239	$ -	$ -
Net loss for the three months ended September 30, 2023	$ (11,398)	$ (6,027)	$ (17,426)

Research and Development

Research and development expenses are charged to the unaudited condensed consolidated statements of operations and comprehensive loss as incurred. Research and development expenses include salaries, benefits, stock-based compensation and costs incurred by outside laboratories, manufacturers, clinical research organizations, consultants, and accredited facilities in connection with preclinical studies and clinical trials. Research and development expenses are partially offset by the benefit of tax incentive payments for qualified research and development expenditures from the Australian tax authority ("AU Tax Rebates"). The Company does not record AU Tax Rebates until payment is received due to the uncertainty of receipt. In the six months ended September 30, 2024 and September 30, 2023, the Company did not receive any AU Tax Rebates.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND OTHER RISKS AND UNCERTAINTIES (continued)

Supplier Concentration

The Company relies on third-party suppliers to provide materials for its devices and consumables.

In the three months ended September 30, 2024, the Company purchased approximately 86% of its materials from two third-party vendors, with these vendors representing 76% and 10%, respectively. In the three months ended September 30, 2023, the Company purchased approximately 88% of its materials from two third-party vendors, with these vendors representing 80% and 8%, respectively.

In the six months ended September 30, 2024, the Company purchased approximately 90% of its materials from two third-party vendors, with these vendors representing 84% and 6%, respectively. In the six months ended September 30, 2023, the Company purchased approximately 86% of its materials from two third-party vendors, with these vendors representing 73% and 13%, respectively.

Leases

Operating lease assets are included within operating lease right-of-use assets, and the corresponding operating lease obligation on the consolidated balance sheets as of September 30, 2024 and March 31, 2024 in accordance with ASC 842, *Leases*. The Company has elected not to present short-term leases as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that the Company is reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of the Company's leases do not provide an implicit rate of return, the Company used an incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(in thousands)	September 30, 2024	March 31, 2024
Clinical and medical equipment	$ 2,008	$ 2,174
Equipment deployable as part of a service offering	12,074	8,208
Computer equipment	871	860
Furniture and fixtures	526	534
Leasehold improvements	518	612
	15,997	12,388
Accumulated depreciation	(4,349)	(3,024)
	$ 11,648	$ 9,364

Depreciation and amortization for the three months ended September 30, 2024 and September 30, 2023 was $ 0.8 million and $0.4 million, respectively.

Depreciation and amortization for the six months ended September 30, 2024 and September 30, 2023 was $ 1.5 million and $0.7 million, respectively.

NOTE 4 STOCKHOLDERS' EQUITY

On February 4, 2022, the Company entered into an At-The-Market Equity Offering Sales Agreement with Truist Securities, Inc (the "2022 ATM"), allowing the Company to sell its common stock for aggregate sales proceeds of up to $50 million from time to time and at various prices, subject to the conditions and limitations set forth in the 2022 ATM. If shares of the Company's common stock are sold, there is a 3% fee paid to the sales agent. Pursuant to the "baby shelf rules" promulgated by the SEC, if our public float is less than $75.0 million as of specified measurement periods, the number of shares of common stock that may be offered and sold by us under a Form S-3 registration statement, including pursuant to the 2022 ATM, in any twelve-month period is limited to an aggregate amount that does not exceed one-third of our public float. As of September 30, 2024, due to the SEC's "baby shelf rules," we were permitted to sell up to $10.5 million of shares of common stock pursuant to the 2022 ATM. We will remain subject to the "baby shelf rules" under the Form S-3 registration statement until such time as our public float exceeds $75.0 million.

During the six months ended September 30, 2024, the Company received net proceeds of $ 0.6 million from the sale of 1,286,816 shares of common stock through the 2022 ATM. During the six months ended September 30, 2023, the Company received net proceeds of $6.5 million from the sale of 1,191,349 shares of common stock.

On September 26, 2024, the Company, entered into the Securities Purchase Agreement II with certain institutional and accredited investors, which included certain directors and officers of the Company, pursuant to which the Company sold, in a private placement offering, an aggregate of (i)

24,999,999 shares of common stock (ii) 15,848,712 pre-funded stock purchase warrants, (the "Pre-funded Warrants") to purchase up to 15,848,712 shares of common stock and (iii) 40,848,711 stock purchase warrants (the "Common Warrants" and together with the Pre-funded Warrants, the "Warrants") to purchase up to 40,848,711 shares of common stock. The Common warrants are not exercisable until the company obtains shareholder approval at an annual or special meeting of its stockholders to increase the number of authorized shares of common stock. Each common share and accompanying Common Warrant were sold together at a combined offering price of $0.5043, and each Pre-Funded Warrant and accompanying Common Warrant were sold together at a combined offering price of $0.5042 for gross proceeds of $20.6 million (which includes $2.0 million from related parties). Members of the Board of Directors and certain executives of the Company are considered related parties to this offering. The Pre-Funded Warrants have an exercise price of $0.0001 per share, and the Common Warrants have an exercise price of $ 0.3793 per share. The private placement offering closed on September 30, 2024 (the "Closing Date"). The Company received total net proceeds of $18.9 million after deductions for placement agent commissions and other offering costs of $1.4 million and $0.3 million, respectively by September 30, 2024 and received a further $0.4 million on October 1, 2024.

Pursuant to the Securities Purchase Agreement II, the Company has agreed to use its best efforts to convene an annual or special meeting of its stockholders within 180 days following the Closing Date. At the meeting, the Company's board of directors will recommend stockholders approve: (i) increasing the number of authorized shares of common stock to ensure the availability of sufficient shares for the full issuance of shares of common stock issuable upon exercise of the outstanding Warrants (the "Authorized Share Proposal") and (ii) allowing for the exercise price of the Common Warrants to be adjusted in accordance with the terms of the Common Warrants pursuant to the rules and regulations of the Nasdaq Stock Market (the "Warrant Proposal"). The Company will actively solicit proxies from stockholders in support of these proposals, and management-appointed proxyholders will vote their proxies in favor of the proposals. If stockholder approval is not obtained at the initial meeting, the Company will continue to use its best efforts to hold additional meetings every 180 days thereafter to seek stockholders' approval, until either the approval is obtained or the Common Warrants are no longer outstanding. These warrants cannot be exercised until stockholders approval is obtained.

The Pre-funded Warrants are exercisable on or after the date on which the Company obtains stockholder approval of the Authorized Share Proposal (the "Initial Exercise Date") and shall expire when exercised in full. The Common warrants are not exercisable until the company obtains shareholder approval at an annual or special meeting of its stockholders to increase the number of authorized shares of common stock. The Common Warrants are exercisable on or after the Initial Exercise Date (upon shareholder approval) and will have a term that expires five years following the Initial Exercise Date. Both the Pre-funded Warrants and Common Warrants are exercisable on a cashless basis in the event that, at the time of exercise, there is not an effective registration statement for the resale of the shares underlying the Pre-funded Warrants or Common Warrants, as applicable. The respective Pre-funded Warrants or Common Warrants may not be exercised to the extent such exercise would cause the holder to beneficially own more than 4.99% or 9.99% of the Company's issued and outstanding common stock. The exercise price of the Warrants is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events and also upon any distributions of assets, including cash, stock or other property to our stockholders. Subject to certain exemptions outlined in the Common Warrant, if at any time while the Common Warrants are outstanding, the Company issues or sells, or is deemed to have issued or sold, shares of common stock at an effective price per share less than the exercise price of the Common Warrants then in effect, the exercise price of the Common Warrant shall be reduced in accordance with a weighted average formula. The Common Warrant provides that if the Warrant Proposal has not been approved by 180 days after the Closing Date, the Company will be obligated to pay liquidated damages to the holders.

On March 20, 2024, the Company, entered into a securities purchase agreement (the "Securities Purchase Agreement") with certain institutional and accredited investors, including certain directors and officers of the Company pursuant to which the Company sold, in a registered direct offering, an aggregate of (i) 9,638,556 shares of common stock and (ii) 9,638,556 common stock purchase warrants to purchase up to 9,638,556 shares of common stock for gross proceeds of $16 million (which includes $1.2 million from related parties). Members of the Board of Directors and certain executives of the Company are considered related parties to this offering. These warrants contain a call provision which can be exercised if the Company reports $4.5 million of net sales in the quarter ending March 31, 2025. The combined offering price per share and accompanying common stock warrant is $1.66. Subject to certain ownership limitations, each common stock warrant is immediately exercisable upon issuance at an exercise price of $2.25 per share and expires three years from the date of issuance. The offering closed on March 22, 2024. The Company received net proceeds of $ 14.6 million after deductions for placement agent commissions and other offering costs of $1.1 million and $0.3 million, respectively.

On March 20, 2024, the Company also entered into a placement agency agreement (the "Placement Agency Agreement") with Roth Capital Partners, LLC and Laidlaw & Company (UK) Ltd. (the "Co-Placement Agents") as the co-placement agents in connection with the March 20, 2024 offering. Pursuant to the terms of the Placement Agency Agreement, the Co-Placement Agents agreed to use their reasonable best efforts to arrange for the sale of the securities in the offering. As compensation to the Co-Placement Agents, the Company paid the Co-Placement Agents a cash fee of 7% of the aggregate gross proceeds raised in the offering and the reimbursement of certain expenses and legal fees.

Stock Option Plans

The Company's Sixth Amended and Restated 2013 Beyond Air Equity Incentive Plan (the "2013 BA Plan") allows for awards to officers, directors, employees, and consultants of stock options, restricted stock units and restricted shares of the Company's common stock. On January 10, 2024, the Company's Board of Directors approved an amendment to the 2013 BA Plan to increase the number of shares in the 2013 BA Plan by 3,000,000, which was approved by the Company's stockholders at the 2024 annual stockholder meeting on March 8, 2024. The 2013 BA Plan has 13,600,000 shares authorized for issuance. As of September 30, 2024, 653,729 shares were available under the 2013 BA Plan.

NOTE 4 STOCKHOLDERS' EQUITY (continued)

Restricted Stock Units

The fair value for the restricted stock unit awards was valued at the closing price of the Company's common stock on the date of grant. Restricted stock units vest annually over five years.

A summary of the Company's restricted stock unit awards for the six months ended September 30, 2024 is as follows:

	Number Of Shares	Weighted Average Grant Date Fair Value
Unvested as of April 1, 2024	618,900	$ 6.98
Granted	-	-
Vested	-	-
Forfeited	(6,800)	13.29
Unvested as of September 30, 2024	612,100	$ 6.91

Stock-based compensation expense related to these stock issuances for the three months ended September 30, 2024 and September 30, 2023 was $ 0.3 million and $0.7 million respectively.

Stock-based compensation expense related to these stock issuances for the six months ended September 30, 2024 and September 30, 2023 was $ 0.6 million and $1.5 million respectively. The unrecognized compensation cost is $ 1.3 million and the weighted average remaining service period is 1.4 years.

A summary of the change in options for the six months ended September 30, 2024 is as follows:

	Number of Options	Weighted Average Exercise Price of Options	Weighted Average Remaining Contractual Life of Options	Aggregate Intrinsic Value (in thousands)
Options outstanding as of April 1, 2024	11,283,469	$ 4.45	8.0	$ 760
Granted	152,500	1.23	-	-
Exercised	-	-	-	-
Forfeited	(375,496)	4.66	-	-
Outstanding as of September 30, 2024	11,060,473	$ 4.37	7.5	$ -
Exercisable as of September 30, 2024	4,750,348	$ -	5.6	$ -

The Company's 2021 Beyond Cancer Ltd Equity Incentive Plan (the "2021 BC Plan") allows for awards to officers, directors, employees, and consultants of stock options, restricted stock units and restricted shares of Beyond Cancer's common shares. The vesting terms of the options issued under the 2021 BC Plan are generally four years and they expire ten years from the grant date. On November 3, 2022, the Company's Board of Directors approved an amendment to reserve for issuance an additional 2,000,000 shares of common stock. The 2021 BC Plan has 4,000,000 shares authorized for issuance. As of September 30, 2024, 359,000 common shares were available under the 2021 BC Plan.

	Number of Options	Weighted Average Exercise Price of Options	Weighted Average Remaining Contractual Life of Options	Aggregate Intrinsic Value (thousands)
Options outstanding as of April 1, 2024	3,819,000	$ 5.50	8.3	$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(178,000)	5.50	-	-
Outstanding as of September 30, 2024	3,641,000	$ 5.50	7.7	$ -
Exercisable as of September 30, 2024	1,354,000	$ 5.50	7.6	$ -

As of September 30, 2024, the Company had unrecognized stock-based compensation expense in the 2013 BA Plan of approximately $ 7.0 million which was expected to be expensed over the weighted average remaining service period of 1.5 years.

As of September 30, 2024, the Company had unrecognized stock-based compensation expense in the 2021 BC Plan of approximately $ 5.8 million which is expected to be expensed over the weighted average remaining service period of 1.1 years.

NOTE 4 STOCKHOLDERS' EQUITY (continued)

The following was utilized to calculate the fair value of options on the date of grant:

	September 30, 2024	September 30, 2023
Risk-free interest rate	4.3 – 4.5%	4.3 – 4.5%
Expected volatility (Beyond Air)	81.4 – 88.5%	81.7 – 81.9%
Expected volatility (Beyond Cancer)	-	104.3 -106.2%
Dividend yield	0%	0%
Expected terms (in years)	6.25	6.25

The following summarizes the components of stock-based compensation expense which included stock options and restricted stock units for the three and six months ended September 30, 2024 and September 30, 2023:

	Three Months Ended September 30,		Six Months Ended September 30,	
(in thousands)	2024	2023	2024	2023
Research and development	$ 384	$ 1,379	$ 1,014	$ 2,585
General and administrative	2,745	5,081	5,495	9,990
Total stock-based compensation expense	$ 3,129	$ 6,460	$ 6,508	$ 12,575

Warrants

A summary of the Company's outstanding warrants as of September 30, 2024 is as follows:

Warrant Holders	Number of Warrants	Exercise Price	Intrinsic Value (in thousands)	Date of Expiration
March 2020 loan	172,187	$ 7.26	$ -	March 2025

NitricGen agreement	80,000	$	6.90	-	January 2028
Avenue agreement	233,843	$	0.38	-	June 2028
March 2024 raise	9,638,556	$	2.25	-	March 2027
Avenue extension agreement	100,000	$	1.28	-	June 2029
September 2024 equity offering	40,848,711	$	0.38	-	September 2029
September 2024 debt instrument	15,159,504	$	0.38	-	September 2029
Sub-total	66,232,801	$	0.67	$ -	
Pre-funded warrants	15,848,712	$	0.0001	-	September 2029
Total	82,081,513	$	0.61	-	

On September 30, 2024, warrants to purchase up to an aggregate of 40,848,711 of Company common stock were issued to with certain institutional and accredited investors, including certain directors and officers of the Company at an exercise price of $0.3793 per common stock warrant. The Common warrants are not exercisable until the company obtains shareholder approval at an annual or special meeting of its stockholders to increase the number of authorized shares of common stock. The warrant exercise price was calculated at the closing share price for September 26, 2024. No warrants were exercised in this period.

On September 30, 2024, warrants to purchase up to 15,848,712 of Company common stock were issued to with certain institutional and accredited investors, including certain directors and officers of the Company at an exercise price of $0.0001 per common stock warrant. The Common warrants are not exercisable until the company obtains shareholder approval at an annual or special meeting of its stockholders to increase the number of authorized shares of common stock. No warrants were exercised in this period.

On September 30, 2024, warrants to purchase up to an aggregate of 15,159,504 of Company common stock were issued as part of a secured loan with certain lenders including its Chief Executive Officer Steven Lisi and director Robert Carey (collectively, the “Lenders”) at an exercise price of $0.3793 per common stock warrant. The warrant exercise price was calculated at the closing share price for September 26, 2024. The Common warrants are not exercisable until the company obtains shareholder approval at an annual or special meeting of its stockholders to increase the number of authorized shares of common stock. No warrants were exercised in this period.

On June 21, 2024, warrants to purchase up to an aggregate of 100,000 of Company common stock were issued to Avenue Venture Opportunities Fund, L.P., a Delaware limited partnership (“Avenue”), and Avenue Venture Opportunities Fund II, L.P, a Delaware limited partnership (“Avenue 2” and, together with Avenue, the “Lenders”) in return for extending the interest-only period for an additional 6 months on the Loan and Security Agreement with Avenue Capital. The warrant exercise price was calculated at the average closing share price for the 5 trading days prior to June 21, 2024. No warrants were exercised in this period.

Warrants to purchase up to 233,843 of Company common stock were issued to Avenue Venture Opportunities Fund, L.P., a Delaware limited partnership (“Avenue”), and Avenue Venture Opportunities Fund II, L.P, a Delaware limited partnership (“Avenue 2” and, together with Avenue, the “Lenders”) in the six months ended September 30, 2023 and are liability classified. No warrants were exercised in this period. All other warrants outstanding are equity classified.

Upon completion of the Securities Purchase Agreement II and in accordance with their original terms, the 233,843 liability classified warrants issued to Avenue in connection with a convertible debt issuance had their re-priced exercise price of $1.66 per share repriced to $0.3793 per share. The previously issued warrants have been, and will continue to be, liability classified and remeasured at each reporting period until they are exercised, expire, reclassified or otherwise settled. The adjustment in the statement of operations for the exercise price has been recorded as a revaluation of warrants fair value.

NOTE 5 OTHER CURRENT ASSETS AND PREPAID EXPENSES

A summary of current assets and prepaid expenses as of September 30, 2024 and March 31, 2024 is as follows (in thousands):

	September 30, 2024	March 31, 2024
Research and development	$ 71	$ 104
Insurance	349	886
Prepaid rents and tenant improvement	11	49
Demonstration materials	124	228
Value added tax receivable	78	229
Cash receivable as part of Securities Purchase Agreement II	370	-
Deposits to secure manufacturing materials	5,019	5,019
Other	253	277
Total	$ 6,275	$ 6,792

NOTE 6 ACCRUED EXPENSES

A summary of the accrued expenses as of September 30, 2024 and March 31, 2024 is as follows (in thousands):

	September 30, 2024	March 31, 2024
Research and development	$ 1,028	$ 965
Professional fees	1,985	466
Employee salaries and benefits	721	1,302
Contingent litigation and settlements (Note 10)	-	400
Circassia settlement – current portion (Note 8)	-	4,500
Deferred revenue	17	138
Goods received not invoiced	398	356
Other	321	275
Total short-term accrued expenses	$ 4,470	$ 8,402

NOTE 7 BASIC AND DILUTED NET INCOME (LOSS) PER SHARE OF COMMON STOCK

The following potentially dilutive securities were not included in the calculation of diluted net income (loss) per share attributable to common stockholders of Beyond Air because their effect would have been anti-dilutive for the periods presented:

	September 30, 2024	September 30, 2023
Common stock warrants	82,081,513	694,363
Common stock options	11,060,473	8,128,026
Restricted shares	612,100	1,095,300
Loan and Security – conversion feature	-	392,465
Total	93,754,086	10,310,154

NOTE 8 CIRCASSIA AGREEMENT

On January 23, 2019, the Company entered into an agreement for commercial rights (the "Circassia Agreement") with Circassia Limited and its affiliates (collectively, "Circassia") for PPHN and future related indications at concentrations of < 80 ppm in the hospital setting in the United States and China. On December 18, 2019, the Company terminated the Circassia Agreement.

On May 25, 2021, the Company and Circassia entered into a settlement agreement (the "Settlement Agreement") resolving all claims by and between both parties and mutually terminating the Circassia Agreement. Pursuant to the terms of the Settlement Agreement, the Company agreed to pay Circassia $10.5 million in three installments. The first payment of $ 2.5 million was triggered upon FDA approval for the LungFit ® PH (fixing the "Initial Payment Due Date") at July 28, 2022. Thereafter, the Company is to pay $3.5 million to Circassia on the first anniversary of the Initial Payment Due Date and $4.5 million on the second anniversary of the Initial Payment Due Date. Additionally, beginning in year three post-approval, Circassia will receive a quarterly royalty payment equal to 5% of LungFit® PH net sales in the U.S. This royalty will terminate once the aggregate payment reaches $ 6.0 million As of September 30, 2024 and March 31, 2024 $0.0 million and $4.5 million is included in accrued liabilities as $4.5 million was paid to Circassia as the final settlement payment in September 2024.

NOTE 9 GRANT COLLABORATION AGREEMENT

On February 10, 2021, the Company received a grant for up to $ 2.2 million from the CFF to advance the clinical development of high concentration NO for the treatment of NTM pulmonary disease, which disproportionally affects cystic fibrosis patients. Under the terms of the agreement, the funding will be allocated to the ongoing LungFit® GO NTM pilot clinical trial. The grant provides milestones based upon achieving performance steps and requirements under a development program. The grant provides for royalty payments to CFF upon the commercialization of any product developed under the grant program at a rate of 10% of net sales. The royalties are capped at four times the grant actually paid to the Company. A total of $ 1.9 million has been recognized as a reduction of R&D costs from this grant to date. Since the beginning of the pilot clinical trial, the Company has received milestone payments totaling $1.9 million. The trial is now successfully completed and no further payments are expected.

NOTE 10 COMMITMENTS AND CONTINGENCIES

License Agreements

In August 2015, Beyond Air Ltd., a wholly-owned subsidiary of the Company ("BA Ltd.") entered into an Option Agreement (the "Option Agreement") with Pulmonox Technologies Corporation ("Pulmonox") whereby BA Ltd. acquired the option (the "Option") to purchase certain intellectual property assets and rights. On January 13, 2017, BA Ltd. exercised the Option and paid $0.5 million to Pulmonox. BA Ltd. became obligated to make certain one-time development and sales milestone payments to Pulmonox, commencing with the date on which BA Ltd. receives regulatory approval for the commercial sale of the first product candidate qualifying under the Option Agreement. These milestone payments are capped at a total of $87 million across three separate and distinct indications that fall under the agreement, with the majority of them, approximately $83 million, being sales-related based on cumulative sales milestones for each of the three products. BA Ltd. is not currently developing any qualifying products.

On January 31, 2018, the Company entered into an agreement (the "NitricGen Agreement") with NitricGen, Inc. ("NitricGen") to acquire a global, exclusive, transferable license and associated assets including intellectual property, know-how, trade secrets and confidential information from NitricGen related to the LungFit®. The Company acquired the licensing right to use the technology and agreed to pay NitricGen a total of $ 2.0 million in future payments based upon achieving certain milestones, as defined in the NitricGen Agreement, and single-digit royalties on sales of the LungFit®. The Company paid NitricGen $0.1 million upon the execution of the NitricGen Agreement, $ 0.1 million upon achieving the next milestone and $ 1.5 million in January 2023, six months after approval of the LungFit® by the FDA) and issued 100,000 warrants to purchase the Company's common stock valued at $0.3 million upon executing the NitricGen Agreement. As of September 30, 2024 the remaining future milestone payments total $ 0.3 million.

Supply Agreement and Purchase Order

In August 2020, the Company entered into a supply agreement with an initial expiration date of December 31, 2024. The agreement will renew automatically for successive three-year periods unless and until the Company provides 12 months' notice of intent not to renew. As of the date of this report, the Company has not provided such notice. The Company has opened several non-cancellable purchase orders and the outstanding amount remaining under the purchase order as of September 30, 2024 was approximately $1.2 million with this supplier. This supplier holds $ 5.0 million of restricted cash to partially secure materials on the Company's behalf recorded in other current assets and prepaid expenses.

Contingencies

In April 2023, the Company paid a total of $ 7.6 million, including damages and interest, in satisfaction of judgment in resolution of the Empery Suit.

In December 2021, Hudson Bay Master Fund ("Hudson") filed a lawsuit in the Supreme Court on the State of New York against the Company relating to the notice of adjustment of the exercise price of and the number of warrant shares issuable under warrants issued to Hudson in January 2017. Hudson received 83,334 warrants in connection with the January 2017 offering. Hudson's complaint alleged breach of contract and that Hudson is entitled to damages and interest as a result of certain adjustments to the exercise price and number of warrant shares issuable following a February 2018 financing transaction. The lawsuit was settled in July 2023 and the Company paid $3.1 million for defense and indemnity costs in the quarter ended September 30, 2023.

From time to time, we are involved in various legal matters arising in the normal course of business. We do not expect the outcome of such proceedings, either individually or in the aggregate, to have a material effect on our financial position, cash flows or results of operations.

BEYOND AIR, INC. AND ITS SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 11 LOANS

Loan and Security Agreement

On June 15, 2023 (the "Closing Date"), Beyond Air, Inc. and its wholly-owned subsidiary, Beyond Air Ltd., entered into a Loan and Security Agreement (the "Loan and Security Agreement") with Avenue Capital Management II, L.P., as administrative agent and collateral agent (the "Agent") and the Lenders. Also on June 15, 2023, the Company entered into a Supplement to the Loan and Security Agreement (collectively with the Agreement, the "Loan Agreement") with the Agent and the Lenders. The Loan Agreement provides for senior secured term loans (the "Loans") in an aggregate principal amount up to $40.0 million, with (i) $17.5 million advanced on the Closing Date ("Tranche 1"), (ii) up to $10.0 million which may be advanced upon the request of the Company between April 1, 2024 and September 30, 2024, subject to the Company having achieved total revenue derived from the sale of LungFit® PH (other than licensing revenue) ("Product Revenue") for the three-month period prior to funding of not less than 85% of projected Product Revenue for such period ("Tranche 2"), and (iii) up to $12.5 million which may be advanced after April 1, 2024 (the "Discretionary Tranche"), subject to (a) the Agent and Lenders having received investment committee approval and (b) the Company and Lenders having mutually agreed to draw and fund, such amount. The Loans are due and payable on June 1, 2027 (the "Maturity Date"). The Loan principal is repayable in equal monthly installments beginning on January 1, 2025, with the possibility of deferring principal payments an additional 6 to 18 months contingent upon the Company's achievement of at least $40.0 million of Product Revenue in the fiscal year ending March 31, 2025, provided the Company has fully drawn Tranche 2. The Loans bear interest at a rate per annum (subject to increase during an event of default) equal to the greater of (i) the prime rate, as published by the Wall Street Journal from time to time, plus 3.75% and (ii) 12.00%. The Company may, subject to certain parameters, voluntarily prepay the Loans, in whole or in part, at any time. If prepayment occurs on or before the one-year anniversary of the Closing Date, the Company is required to pay a fee equal to the principal amount of the Loans prepaid multiplied by 3.00%; if prepayment occurs after the one-year anniversary of the Closing Date and on or before the two-year anniversary of the Closing Date, the Company is required to pay a fee equal to the principal amount of the Loans prepaid multiplied by 2.00%; if prepayment occurs after the two-year anniversary and on or before the three-year anniversary of the Closing Date, the Company is required to pay a fee equal to the principal amount of the Loans prepaid multiplied by 1.50%; and if prepayment occurs after the three-year anniversary of the Closing Date and before the Maturity Date, the Company is required to pay a fee equal to the principal amount of the Loans prepaid multiplied by 1.00%. A final payment fee of 3.50% of the principal amount of the Tranche 1 and Tranche 2 Loans is also due upon the Maturity Date or any earlier date of prepayment (in the case of any partial prepayment, solely with respect to the principal amount being prepaid). The Loans are guaranteed by the Company's subsidiaries, Beyond Air Ltd. and Beyond Air Ireland Limited, and certain of the Company's future subsidiaries (collectively, the "Guarantors"). The Company's obligations under the Loan Agreement and the guarantee of such obligations are secured by a pledge of substantially all of the Company's assets and have been or will be secured by a pledge of substantially all of the assets of the Guarantors. For the six months ended September 30, 2024 and September 30 2023, the Company incurred and paid $0.6 million and $0.6 million respectively in interest on the loan.

Pursuant to the Loan Agreement, the Company is subject to a financial covenant requiring the Company to maintain at all times $ 5.0 million in unrestricted cash on deposit in a US bank. The Loan Agreement also contains affirmative and negative covenants customary for financings of this type that, among other things, limit the ability of the Company and its subsidiaries to (i) incur additional debt, guarantees or liens; (ii) pay any dividends; (iii) enter into certain change of control transactions; (iv) sell, transfer, lease, license, or otherwise dispose of certain assets; (v) make certain investments or loans; and (vi) engage in certain transactions with related persons, in each case, subject to certain exceptions.

BEYOND AIR, INC. AND ITS SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 11 LOANS (continued)

The Loan Agreement also includes events of default customary for financings of this type, in certain cases subject to customary periods to cure, following which the Agent may accelerate all amounts outstanding under the Loans. The Company granted the Lenders warrants to purchase an aggregate of 233,843 shares of common stock at an exercise price of the lesser of $ 5.88 or the price per share of the Company's next bona fide round of equity financing before June 30, 2024.

The Company also granted the Lenders conversion rights for up to $ 3.0 million in aggregate of the principal amount in common stock at a price equal to 130% of the exercise price of the warrant (1,390,176 of common stock at $2.158), for the life of the loan ("the "Conversion Right").

On June 21, 2024, the Company, in return for extending the interest-only period for an additional 6 months on the Loan and Security Agreement with Avenue Capital, entered into an agreement to issue warrants to purchase up to 100,000 shares of common stock at an exercise price of $ 1.28 per share and an additional end of term payment of $87,500 plus legal and amendment fees, which resulted in an increase to debt discount and this increase will be amortized over the remainder of the loan period. As the transaction did not have a substantially different impact to the terms of the original instrument, the company determined that this transaction was a modification to the original loan and security agreement. The maturity of the debt remains unchanged.

Upon consummation of the offering contemplated by the Securities Purchase Agreement and in accordance with their original terms, the 233,843 liability classified warrants issued the lenders had their original exercise price of $5.88 per share repriced to $1.66 per share and the original conversion price of $7.64 per share of the Conversion Right was reset to $2.16 per share. The previously issued warrants and bifurcated conversion feature have been, and will continue to be, liability classified and remeasured at each reporting period until they are exercised, expire, reclassified or otherwise settled. The adjustment for the exercise price has been recorded as a revaluation of warrants fair value and revaluation of derivative fair value respectively in the statement of operations.

The warrants are freestanding liability classified financial instruments to which a portion of the debt proceeds were allocated to warrants and based on the warrants estimated fair value at issuance. The remaining proceeds were allocated to the long-term debt. Costs allocated to the warrants were expensed immediately and costs allocated to the debt are recorded as a debt discount and are amortized into interest expense over the life of the debt using the effective interest method. The conversion feature was bifurcated from the debt and is accounted for as a derivative liability.

The agreement contains an end of term liability of $1.1 million, equal to 3.5% of the committed funds plus an additional end of term payment of $ 0.1 million.

On September 30, 2024, Beyond Air and Avenue Capital reached an agreement to extinguish the Avenue Capital senior secured term loan for a one-time payment of $17.85 million. This agreement eliminates the debt and interest payments that would have been made to Avenue Capital from October 1,

2024 through June 30, 2026 of $12.0 million. In connection with this agreement $5.0 million was paid on September 27, 2024 in partial settlement. The $5.0 million settlement is treated as a partial extinguishment of the loan agreement and therefore, proportionate amounts of unamortized discount and deferred financing costs were written off during the three months ended September 30, 2024, resulting in the company recording loss on extinguishment of debt of $0.6 million in the condensed consolidated statement of operations. The final $ 12.85 million was paid on October 4, 2024. (See Note 14)

NOTE 11 LOANS (continued)

Maturity of Long-Term Loan (in thousands)	September 30,
2025	$ -
2026	5,938
2027	6,562
2028	
Total	$ 12,500

Components of Loan and Security Agreement

	September 30, 2024	March 31, 2024
Amount outstanding	$ 12,500	$ 17,500
Debt discount	(3,688)	(4,541)
Amortization of debt discount	1,378	1,149
Final payment liability	750	613
Total	$ 10,940	$ 14,721

NOTE 12 – LEASE REVENUES

The Company leases the LungFit® PH device to customers and receives a fixed rental fee over the term of the arrangement. Contract terms (generally one-to-three years) vary by customer and may include options to terminate the contract or options to extend the contract. The LungFit® PH lease agreements are accounted for as operating leases. The non-lease components, including consumables and device-related services are combined with the predominant lease component under the practical expedient. The fixed rental fee is recognized over the period of the lease agreement on a straight-line basis.

The Company recognized $0.8 million and $0.2 million in LungFit® PH lease revenues for the three months ended September 30, 2024 and September 30, 2023, respectively, included revenues in the accompanying consolidated statements of operations. The Company received approximately $0.6 million and $0.1 million in cash associated with leases which the Company is the lessor for the three months ended September 30, 2024 and September 30,2023, respectively. The Company has recorded $0.1 million and $0 million in deferred revenue as of September 30, 2024 and September 30, 2023, respectively.

The Company recognized $1.5 million and $0.3 million in LungFit® PH lease revenues for the six months ended September 30, 2024 and September 30,2023, respectively, included revenues in the accompanying consolidated statements of operations. The Company received approximately $1.0 million and $0.1 million in cash associated with leases which the Company is the for lessor for the six months ended September 30, 2024 and September 30,2023, respectively. The Company has recorded $0.2 million and $0 million in deferred revenue as of September 30, 2024 and September 30, 2023, respectively.

NOTE 12 – LEASE REVENUES (continued)

The following schedule presents the minimum future lease payments under the LungFit® PH lease arrangements that were in place as of September 30, 2024 (in thousands):

Future lease payments under the LungFit® PH lease arrangements (in thousands)	September 30
2025	$ 1,637
2026	2,477
2027	1,321
2028	236
Total	$ 5,671

The LungFit® PH devices are included in Property and Equipment (Note 3) and have the useful life of five years. Depreciation expense related to leased LungFit® PH devices was $0.6 million and $0.2 million for the three months ended September 30, 2024 and September 30, 2023, respectively.

Depreciation expense related to leased LungFit® PH devices was $ 1.1 million and $0.4 million for the six months ended September 30, 2024 and September 30, 2023, respectively.

The depreciation expense related to customer leased devices is included in the cost of revenue in the consolidated statements of operations and comprehensive loss.

Capitalized sales commissions

Sales commissions related to obtaining LungFit® PH lease agreements are accounted for as initial direct costs and are capitalized and amortized on a straight-line basis over the lease term. Total capitalized costs for the three and six months ended September 30, 2024 and September 30, 2023 were immaterial.

NOTE 13 – LONG TERM LIABILITIES, RELATED PARTY

	September 30
Advance payment on loan and security agreement	$ 7,500
Debt discount	$ (3,073)
	$ 4,427

On September 27, 2024, the company received $7.5 million as an advance payment on a loan and security agreement (See Note 14). The loan is for a 10 year term and will be repaid in full no later than October 2034.

As part of the loan and security agreement, the company issued warrants to the lenders. The 15,159,504 warrant shares had a value of $0.28 per warrant, resulting in a fair value (based on a Black-Scholes model) of $4.2 million. The company determined that the allocation of proceeds to the instruments should be based on a relative fair value method resulting in an allocation of $3.1 million as debt discount at September 30, 2024.

	September 30, 2024
Risk-free interest rate	3.58%
Expected volatility (Beyond Air)	93.41%
Dividend yield	0%
Expected terms (in years)	5

NOTE 14 – SUBSEQUENT EVENTS

On November 1, 2024, Beyond Air, Inc. (the "Company") entered into a loan and security agreement (the "loan agreement") for a secured loan with certain lenders including its Chief Executive Officer Steven Lisi and director Robert Carey (collectively, the "Lenders"). The loan agreement was approved by each of the Company's independent and disinterested directors, following the receipt of a recommendation from an independent investment bank. The loan agreement provides for the following expected terms: (i) principal amount of $11,500,000; (ii) ten-year term; (iii) interest of 15% per annum which shall be payable in kind through July 2026; (iv) a royalty interest of 8% of the Company's net sales on a quarterly basis from July 2026 until the facility is repaid in full; (v) the Company's obligations will be secured by substantially all of the Company's assets and (vi) the Company shall issue the Lenders warrants to purchase shares of the Company's common stock at an exercise price of $0.3793 per share. On September 27, 2024, the company received $7.5 million as an advance payment of this loan.

On October 4 2024, the sum of $12.5 million was paid to Avenue Capital to extinguish the Avenue Capital senior secured term loan. Payment of this $12.5 million eliminated the debt and interest payments that would have been made to Avenue Capital from October 1, 2024 through June 30, 2026 of $12.0 million.

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

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains "forward-looking statements." We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts contained in this Form 10-Q, including statements regarding our future results of operations and financial position, business strategy, prospective product candidates and products, product approvals, timing of our clinical development activities, research and development costs, timing and likelihood of success and the plans and objectives of management for future operations and future results of anticipated products are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements express or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "expect," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar conditional expressions. The forward-looking statements in this Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Form 10-Q and are subject to a number of important factors that could cause actual results to differ materially from those in the forward-looking statements, including the factors described under the sections in this Form 10-Q titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 1A "Risk Factors" contained in our most recently filed Annual Report on Form 10-K, as well as the following:

- our ability to successfully commercialize our LungFit® PH system in the U.S.;
- our ability to obtain CE Certificate of Conformity to CE mark LungFit® in the European Union (the "EU");
- our expectation to incur losses for the next few years;
- our ability to predict accurately the demand for our products, and products under development and to develop strategies to address markets successfully;
- the possibility that products may contain undetected errors or defects or otherwise not perform as anticipated;
- the anticipated development of markets we sell our products into and the success of our products in these markets;
- our future capital needs and our need to raise additional funds;
- our ability to build a pipeline of product candidates and develop and commercialize our approved products;
- our ability to enroll patients in clinical trials, timely and successfully complete those trials and receive necessary certifications or regulatory approvals;
- our ability to maintain our existing or future collaborations or licenses;
- our ability to protect and enforce our intellectual property rights;
- Federal, state, and foreign regulatory requirements, including the U.S Food and Drug Administration ("FDA") regulation of our approved product and product candidates;
- our ability to obtain and retain key executives and attract and retain qualified personnel; and
- our ability to successfully manage our growth, including as a commercial-stage company.

Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties.

You should read this Form 10-Q and the documents that we reference in this Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new

information, future events, changed circumstances or otherwise.

Beyond Air, Inc. the Beyond Air logo and other trademarks or service marks of Beyond Air, Inc. appearing in this Form 10-Q are the property of Beyond Air, Inc. This Form 10-Q also includes trademarks, tradenames and service marks that are the property of other organizations. Solely for convenience, trademarks and tradenames referred to in this Form 10-Q appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or that the applicable owner will not assert its rights, to these trademarks and tradenames.

Introduction

We are a commercial-stage medical device and biopharmaceutical company developing a platform of nitric oxide ("NO") generators and delivery systems (the "LungFit® platform") capable of generating NO from ambient air. Our first device, LungFit ® PH received premarket approval ("PMA") from the FDA in June 2022. The NO generated by the LungFit® PH system is indicated to improve oxygenation and reduce the need for extracorporeal membrane oxygenation in term and near-term (>34 weeks gestation) neonates with hypoxic respiratory failure associated with clinical or echocardiographic evidence of pulmonary hypertension in conjunction with ventilatory support and other appropriate agents. This condition is commonly referred to as persistent pulmonary hypertension of the newborn ("PPHN"). The LungFit® platform can generate NO up to 400 parts per million ("ppm") for delivery to a patient's lungs directly or via a ventilator. LungFit® can deliver NO either continuously or for a fixed amount of time at various flow rates and has the ability to either titrate dose on demand or maintain a constant dose. In July 2022, we commenced marketing LungFit® PH in the United States for PPHN as a medical device.

LungFit® can be used to treat patients on ventilators that require NO, as well as patients with chronic or acute severe lung infections via delivery through a breathing mask or similar apparatus. Furthermore, we believe that there is a high unmet medical need for patients suffering from certain severe lung infections that the LungFit® platform can potentially address. Our current areas of focus with LungFit ® are PPHN, viral community-acquired pneumonia ("VCAP") including COVID-19, bronchiolitis ("BRO"), nontuberculous mycobacteria ("NTM") lung infection and those with various severe lung infections with underlying chronic obstructive pulmonary disease ("COPD"). Our current product candidates will be subject to premarket reviews and approvals by the FDA, certification through the conduct of a conformity assessment by a notified body in the EU for the product to be CE marked, as well as comparable foreign regulatory authorities.

With Beyond Air's focus on NO and its effect on the human condition, there are two additional programs that do not utilize our LungFit ® system. Through our majority-owned affiliate Beyond Cancer, Ltd. ("Beyond Cancer"), NO is used to target solid tumors. The LungFit® platform is not utilized for the solid tumor indication due to the need for ultra-high concentrations of gaseous nitric oxide ("UNO"). A proprietary delivery system has been developed that is designed to safely deliver UNO in excess of 10,000 ppm directly to a solid tumor. This program has advanced to phase 1 clinical trials.

On November 4, 2021, we reorganized our oncology business into a new private company called Beyond Cancer. Our preclinical oncology team and the exclusive right to the intellectual property portfolio utilizing UNO for the treatment of solid tumors now reside with Beyond Cancer. Beyond Air has 80% ownership in Beyond Cancer.

The second program, which does not utilize the LungFit® platform, partially inhibits neuronal nitric oxide synthase ("nNOS") in the brain to treat neurological conditions. The first target indication is autism spectrum disorder ("ASD"). ASD is a serious neurodevelopmental and behavioral disorder, and one of the most disabling conditions and chronic illnesses in children. ASD includes a wide range of developmental disorders that share a core of neurobehavioral deficits manifested by abnormalities in social interactions, deficits in communication, restricted interests, and repetitive behaviors. In 2023, the CDC reported that approximately 1 in 36 children in the U.S. is diagnosed with an ASD. The cost of caring for Americans with autism had reached $268 billion in 2015 and would rise to $461 billion by 2025 in the absence of more-effective interventions and support across the life span. We expect this program to progress from preclinical to a phase 1 first-in-human clinical trial in 2025. Beyond Air has formed a wholly owned subsidiary called NeuroNOS which is responsible for pre-clinical and clinical development.

LungFit® PH is the first FDA-approved system using our patented plasma pulse technology to generate on-demand NO from ambient air and, regardless of dose or flow, deliver it to a ventilator circuit. The device uses a medical air compressor to drive room air through a plasma chamber in the center of the unit where pulses of electrical discharge are created between two electrodes. The system uses the power equivalent to a 60-watt lightbulb to ionize the nitrogen and oxygen molecules, which then combine as NO with low levels of nitrogen dioxide ("NO_2") created as a byproduct. The products are then passed through a Smart Filter, which removes the toxic NO_2 from the internal circuit. With respect to PPHN, the novel LungFit ® PH is designed to deliver a dosage of NO to the lungs that is consistent with current guidelines for delivery of 20 ppm NO with a range of 0.5 ppm – 80 ppm (low concentration NO) for ventilated patients.

We believe the ability of LungFit® PH to generate NO from ambient air provides us with many competitive advantages over the current standard of NO delivery systems in the U.S., the EU, Japan and other markets. For example, LungFit® PH does not require the use of a high-pressure cylinder, does not require cumbersome purging procedures and places less burden on hospital staff in carrying out safety procedures.

Our novel LungFit® platform can also deliver a high concentration ($\geq$150 ppm) of NO directly to the lungs, which we believe has the potential to eliminate microbial infections including bacteria, fungi and viruses, among others. We believe that current FDA-approved NO vasodilation treatments would have limited success in treating microbial infections given the low concentrations of NO being delivered (<100 ppm). Given that NO is produced naturally by the body as an innate immunity mechanism, at a concentration of 200 ppm, supplemental high dose NO should aid in the body's fight against infection. Based on our preclinical studies and clinical trials, we believe that 150 ppm is the minimum therapeutic dose to achieve the desired pulmonary antimicrobial effect of NO. To date, neither the FDA nor comparable foreign regulatory agencies in other countries or regions have approved any NO formulation and/or delivery system for >80 ppm NO.

LungFit® PH for the treatment of Persistent Pulmonary Hypertension of the Newborn (PPHN)

In June 2022, the FDA approved LungFit ® PH to improve oxygenation and reduce the need for extracorporeal membrane oxygenation in term and near-term (>34 weeks gestation) neonates with hypoxic respiratory failure associated with clinical or echocardiographic evidence of pulmonary hypertension in conjunction with ventilatory support and other appropriate agents. LungFit® PH is the inaugural device from the LungFit® platform of NO generators that use patented ionizer technology and is the first FDA-approved product for Beyond Air.

We submitted a PMA supplement to the FDA in November 2023 for the expansion of the label to include certain cardiac surgeries and we expect to receive CE mark under the Medical Device Regulation ("MDR") in the EU during the second half of calendar 2024. According to the most recent year-end report from Mallinckrodt Pharmaceuticals ("Mallinckrodt"), sales of NO were $303.2 million in 2023 (down from $339.7 million in 2022) for the United

States, Canada, Japan, Mexico and Australia, with >90% in the United States. Outside of the U.S. there are multiple market participants which translates to considerably lower sales than in the U.S. We believe the addressable U.S. market for LungFit® PH to be approximately $350 million and worldwide to be approximately $700 million. We initiated the first phase of our commercial launch (the limited launch phase to introduce Lungfit PH and Beyond Air to hospitals) in July 2022, and entered into phase 2 (to target initial market share gains in certain geographies) with an expanded commercial presence during the spring of 2023 in the U.S. and will continue to work towards a potential launch in the EU and globally in 2024 and beyond. We anticipate entering the final phase of our launch process in calendar 2025 where we intend to equip our commercial organization to become the market leader in the U.S. in a few years.

LungFit® PRO for the treatment of viral lung infections in hospitalized patients

Viral Community-Acquired Pneumonia (including COVID-19)

Viral pneumonia in adults is most commonly caused by rhinovirus, respiratory syncytial virus ("RSV") and influenza virus. However, newly emerging viruses (including SARS-CoV-1, SARS-CoV-2, avian influenza A, and H1N1 viruses) have been identified as pathogens contributing to the overall burden of adult viral pneumonia. COVID-19 is an infectious disease caused by SARS-CoV-2, that resulted in a global pandemic, causing millions of hospitalizations and over 7 million deaths worldwide reported as of January 2024, according to the World Health Organization. Excluding the pandemic, there are approximately 350,000 annual viral pneumonia hospitalizations in the U.S., and up to 16 million annual viral pneumonia hospitalizations globally. For the broader annual viral pneumonia hospitalizations, we believe U.S. market potential to be greater than $1.5 billion and worldwide market potential to be greater than $3 billion.

We initiated a pilot clinical trial in late 2020 using our novel LungFit® PRO system at 150 ppm to treat patients with VCAP. The trial was a multi-center, open-label, randomized clinical trial in Israel, including patients infected with COVID-19. Patients were randomized in a 1:1 ratio to receive either inhalations of 150 ppm NO given intermittently for 40 minutes four times per day for up to seven days in addition to standard supportive treatment ("NO+SST") or standard supportive treatment alone ("SST"). Endpoints related to safety (primary endpoint), oxygen saturation and ICU admission, among others, were assessed.

We presented results from the pilot clinical trial at the 32 nd European Congress of Clinical Microbiology & Infectious Diseases (ECCMID 2022), which took place from April 23, 2022 through April 26, 2022 as a hybrid event both onsite in Lisbon, Portugal and online. At the time of the data cut off, the trial enrolled a total of 40 patients hospitalized for VCAP (SARS-CoV-2, n=39; other viruses n=1). The intent-to-treat population included 35 patients with 16 patients in the inhaled NO group and 19 patients in the control group. The primary COVID-19 treatments used during the clinical trial were Remdesivir (>30%) and Dexamethasone (>65%). Safety data from the clinical trial show that inhaled NO treatment was well tolerated overall with no treatment related adverse events as assessed by the investigators. There were two serious adverse events ("SAEs") reported in the group receiving inhaled NO along with SST, which were determined to be related to underlying conditions and unrelated to clinical trial drug/device. From an efficacy perspective, results show a trend of shortening length of stay ("LOS") by a factor 1.8 in favor of inhaled NO treatment. Duration of oxygen support, measured in-hospital and at home, was significantly shorter (p=0.0339) for inhaled NO treated patients. Patients with unstable oxygen saturation during hospitalization, 66.7% of the inhaled NO treatment group, reached stable saturation of ≥93% during hospital stay as compared to 26.7% in the SST group.

Following completion of the clinical trial and the 180-day follow-up period, incremental data were provided in a poster presentation at IDWeek 2022 held from October 19, 2022, through October 23, 2022 in Washington, D.C. In addition to the positive clinical results provided at ECCMID 2022, the poster showed a larger decline in c-reactive protein ("CRP") from baseline for patients treated with NO + SST compared to the control group. Analysis of the data provides compelling evidence that high concentration NO delivery with the LungFit® PRO generator and delivery system can be a powerful tool against any type of pneumonia, especially COVID-19. The Company commenced a clinical trial in the second half of calendar 2023 in the United States and has made the decision to pause this study pending future funding.

Bronchiolitis (BRO)

Bronchiolitis is the leading cause of hospital admission in children less than 1 year of age. The incidence is estimated to be 150 million new cases a year worldwide, with 2-3% (over 3 million) of them severe enough to require hospitalization. Worldwide, 95% of all cases occur in developing countries. In the U.S., there are approximately 120,000 annual bronchiolitis hospitalizations and approximately 3.2 million annual child hospitalizations globally. Currently, there is no approved treatment for bronchiolitis. The treatment for acute viral lung infections that cause bronchiolitis in infants is largely supportive care and is based primarily on prolonged hospitalization during which the infant receives a constant flow of oxygen to treat hypoxemia, a reduced concentration of oxygen in the blood. In addition, systemic steroids and inhalation with bronchodilators are sometimes utilized until recovery, but we believe that these treatments do not successfully reduce hospital LOS. We believe the U.S. market potential for bronchiolitis to be greater than $500 million and worldwide market potential to be greater than $1.2 billion.

The pivotal clinical trial for bronchiolitis was originally set to be performed in the winter of 2020/21 but was delayed due to the pandemic. We have completed three successful pilot studies for bronchiolitis. A further analysis of the three previously reported pilot studies was presented at the ATS International Conference 2021, which was held virtually from May 14, 2021 through May 19, 2021. Analysis across the studies (n=198 infants, mean age 3.9 months) showed that 150 ppm – 160 ppm NO administered intermittently was generally safe and well tolerated with adverse event rates similar among treatment groups with no reported treatment-related serious adverse events. The short course of treatments with intermittent high concentration inhaled NO was effective in shortening hospital LOS and accelerating time to fit for discharge – a composite endpoint of clinical signs and symptoms to indicate readiness to be evaluated for hospital discharge. This treatment was also effective in accelerating time to stable oxygen saturation – measured as SpO2 ≥ 92% in room air. Additionally, NO at a dose of 85 ppm NO showed no difference compared to control for all efficacy endpoints, while 150 ppm NO showed statistical significance when compared to control.

Additionally, long-term safety data for high concentration inhaled NO in bronchiolitis was presented at the Pediatric Academic Societies Meeting 2022 (PAS 22), which was held in Denver, Colorado from April 21, 2022 through April 25, 2022. A total of 101 infants from the three prior pilot studies for bronchiolitis (n=198) participated in the long-term follow-up clinical trial. Clinical trial endpoints for the long-term safety clinical trial included percentage of patients re-hospitalized for bronchiolitis related reasons, such reasons included wheezing episodes, pneumonia, and asthma and the percentage of patients re-hospitalized for any reason. Data from the clinical trial showed the re-hospitalization rate per 100 Patient Exposure Years (PEY) due to bronchiolitis related reasons trended favorably for the inhaled NO group. In addition, the long-term patient re-hospitalization rate for any reason was similar between inhaled NO and control groups. As such, the clinical trial concluded that the treatment of hospitalized infants with acute bronchiolitis by intermittent high dose inhaled NO shows a favorable long-term safety profile.

We believe that the entirety of data at 150 ppm – 160 ppm NO in both adult and infant patient populations supports further development of LungFit® PRO in a pivotal clinical trial for patients hospitalized with VCAP or bronchiolitis.

LungFit® GO for the treatment of Nontuberculous mycobacteria (NTM)

NTM lung infection is a rare and serious pulmonary disease associated with increased morbidity and mortality. Patients with NTM lung disease may experience a multitude of symptoms such as fever, weight loss, cough, lack of appetite, night sweats, blood in the sputum and fatigue. Patients with NTM lung disease, specifically *Mycobacterium abscessus* (*M. abscessus*) representing 20% to 25% of all NTM and other forms of NTM that are refractory

to antibiotic therapy, frequently require lengthy and repeated hospital stays to manage their condition. There are no treatments specifically indicated for the treatment of *M. Abscessus* lung disease in North America, Europe or Japan.

Current estimates place the number of people with NTM infections in the U.S as high as 220,000. It is estimated that in Asia, the number of patients suffering from NTM surpasses what is seen in the U.S. There is one inhaled antibiotic approved for the treatment of refractory *Mycobacterium avium* complex ("MAC"). Current guideline-based approaches to treat NTM lung disease involve multi-drug regimens of antibiotics that may cause severe, long lasting side effects, and treatment can be longer than 18 months. Median survival for NTM MAC patients is approximately 13 years while median survival for patients with other variations of NTM is typically 4.6 years. The prevalence of human disease attributable to NTM has increased over the past two decades. In a clinical trial conducted between 2007 and 2016, researchers found that the prevalence of NTM in the U.S. is increasing at approximately 7.5% per year. *M. abscessus* treatment costs are estimated to be more than double that of MAC. A 2015 publication by co-authors from several U.S. government departments stated that cases in 2014 alone cost the U.S. healthcare system approximately $1.7 billion. For this indication, we believe U.S. sales potential to be greater than $1 billion and worldwide sales potential to be greater than $2.5 billion.

In December 2020 we began a 12-week, multi-center, open-label clinical trial in Australia intended to enroll approximately 20 adult patients with chronic refractory NTM lung disease. We received a grant of up to $2.17 million from the Cystic Fibrosis Foundation ("CFF") to fund this clinical trial and advance the clinical development of inhaled NO to treat NTM pulmonary disease. The trial enrolled both cystic fibrosis ("CF") and non-CF patients infected with MAC, *M. abscessus* or any strain of NTM. The clinical trial consisted of a run-in period followed by two treatment phases. The run-in period provided a baseline for the efficacy endpoints. The first treatment phase took place over a two-week period and began in the hospital setting where patients were titrated from 150 ppm NO up to 250 ppm NO over several days. During this phase patients received NO for 40 minutes, four times per day while Methemoglobin ("MetHb") levels were monitored. Patients were also trained to use LungFit® GO and subsequently discharged to complete the remaining portion of the two-week treatment period at their home at the highest tolerated NO concentration. For the second treatment phase, a 10-week maintenance phase, the administration was twice daily. The clinical trial evaluated safety, quality of life, physical function, and bacterial load among other parameters.

At the American Thoracic Society International Conference 2022 (ATS 2022), which was held in San Francisco from May 13, 2022 through May 18, 2022, we presented positive interim data from the ongoing clinical trial. At the time of data cutoff on April 4, 2022, a total of 15 patients were enrolled in the pilot clinical trial. The mean age of patients was 62.1 years (range: 22 – 82 years) with the majority female (80%), a distribution consistent with real-world NTM disease. All 15 patients were successfully titrated to 250 ppm NO in the hospital setting, and no patients required dose reductions during the subsequent at-home portion of the clinical trial. Patients were followed up for 12 weeks after the 12-week treatment period was completed.

After completion of the clinical trial, we presented positive results at the American College of Chest Physicians ("CHEST") annual meeting, held from October 16, 2022 through October 19, 2022, further supporting development of intermittent high dose NO for the treatment of NTM. The clinical trial demonstrated that high dose NO treatment was well-tolerated in both the home and hospital settings. During the 10-week at-home treatment period of the clinical trial, a total of 2,492 inhalations were self-administered with overall high treatment compliance (>90%). There were no SAEs related to treatment discontinuations reported over the 12-week treatment or 12-week follow up periods. Key efficacy endpoints showed strong results with improvement seen in the majority of quality-of-life domains. Respiratory function and physical function were maintained during treatment and follow-up. Trends in the reduction of microbial load were observed and one patient achieved culture conversion with three consecutive negative sputum samples. We anticipate commencing a pivotal clinical trial in calendar year 2026 following discussions with the FDA.

Our program in COPD is in the preclinical stage and will move forward subject to obtaining additional financing.

Ultra-High Concentration NO (UNO) in solid tumors through majority-owned affiliate Beyond Cancer, Ltd.

In the fourth calendar quarter of 2021, Beyond Cancer, our majority-owned affiliate, raised $30 million in a private placement of common shares. The investors purchased a 20% equity ownership in Beyond Cancer, while Beyond Air maintained 80% equity ownership. The funding is being used to accelerate ongoing preclinical work, including the completion of IND-enabling studies, completion of a Phase 1 clinical trial, expansion of preclinical programs for combination studies, hiring of additional Beyond Cancer team members, and optimization of the delivery system, as well as for general corporate purposes.

Beyond Cancer will benefit from Beyond Air's NO expertise, IP portfolio, preclinical oncology team, and regulatory progress, and will pay Beyond Air a single-digit royalty on all future revenues. Beyond Cancer is being led by a seasoned leadership team with experience in emerging healthcare companies and clinical oncology.

UNO has shown anticancer properties in preclinical trials by eliciting an immune response from the host. We have released preclinical data at several medical/scientific conferences showing the promise of delivering NO directly to tumors at concentrations of 20,000 ppm – 200,000 ppm. Results showed that local tumor ablation with NO conveyed anti-tumor immunity to the host. In April 2022, we presented *in vivo* and *in vitro* preclinical data at the American Association for Cancer Research ("AACR") 2022 annual meeting. The *in vivo* study assessed the mode of action following a single 5-minute gaseous NO ("gNO") treatment which provided data showing an effect on the primary tumor 14 days post-treatment. These data showed that intratumoral injections of concentrations of gNO at 20,000 and 50,000 ppm led to increased recruitment of T cells, B cells, macrophages, and dendrocytes to the primary tumor. An elevated number of T cells and B cells were also detected in the spleen and blood 21 days following gNO treatment. In addition, at the same time point, a marked reduction in the number of myeloid-derived suppressor cells was observed in the spleen. Results from the *in vitro* study showed that exposure of six different cancer cell lines – including human ovarian and pancreatic and mouse lung, melanoma, colon, and breast – to UNO ranging from 10,000 ppm to 100,000 ppm for up to 10 minutes resulted in a dose-dependent cytotoxic response. The higher concentration doses of gNO led to near-instant cell death, while the lower concentration doses required a longer exposure period to elicit cell death. Cell viability was assessed using two assays: XTT and clonogenic assay. After one minute of exposure to 25,000 ppm gNO, less than 10% viability was observed in all cell lines.

The second half of calendar year 2022 was a time of significant progress for Beyond Cancer. On August 23, 2022, we announced that the first patient was treated in a first-in-human Phase 1 clinical trial to assess the safety and immune biomarkers of UNO therapy. In November, at the annual meeting of the Society for Immunotherapy of Cancer ("SITC"), we presented new in vivo combination data that support the potential of our novel UNO therapy to treat various types of solid tumors in combination with immune checkpoint inhibitor ("ICI") therapies, including anti-PD-1. The data presented at SITC appears to indicate that UNO in combination with anti-PD-1 treatment may lead to higher tumor regression rates and prolonged survival. Also in 2022, on December 13, we announced the publication of preclinical data in the peer-reviewed journal Cancer Cell International (CCI), which showed that our proprietary tumor ablation technology utilizing UNO induced a potent innate and adaptive immune response that prevented metastases and resulted in a statistically significant survival benefit.

Calendar year 2023 began with the announcement of Beyond Cancer's entry into a sponsored research agreement with Stanford School of Medicine and the appointment of Frederick M. Dirbas, MD, Associate Professor of Surgery, Division of Surgical Oncology, Stanford School of Medicine, and Mark D. Pegram, MD, the Suzy Yuan-Huey Hung Endowed Professor of Medical Oncology at the Stanford School of Medicine, to the Beyond Cancer Scientific Advisory Board ("SAB"). In addition to the research agreement, Dr. Dirbas was named as Chair of the SAB, which provides guidance for ongoing preclinical studies as well as ongoing and planned future clinical trials in the use of UNO to treat solid tumors. The newly appointed members of the SAB will work to provide input on the clinical development of Beyond Cancer's UNO technology, particularly as it relates to the U.S. regulatory submission.

In April 2023, Beyond Cancer presented additional preclinical data for UNO therapy in solid tumors during the AACR 2023 annual meeting. Data showed a statistically significant survival benefit for repeat dosing of UNO compared to anti-mCTLA-4 as monotherapy and repeat doses of UNO prolonged survival in combination with anti-PD-1 compared to gNO alone. With regard to tumor volume, statistically significant reductions were observed with repeat dosing of UNO versus anti-mPD-1 as a monotherapy and in combination with anti-CTLA-4 versus anti-CTLA-4 alone. Additionally, the data shows that short exposures between 10 seconds to one minute of tumor cells to UNO at increasing concentrations of 25,000 ppm to 100,000 ppm NO significantly upregulate mPD-L1 expression in a dose and time-dependent manner. Also, in vivo experiments exhibited a statistically significant day 1 increase in M1 macrophages, decrease in Tregs, and reduction in tumor cell viability was directionally maintained through day 5. We believe that together with the known ability of NO to activate and recruit the immune system, the data presented at this year's AACR annual meeting appears to indicate that repeat dosing of UNO is feasible and may be effective even in difficult-to-treat, non-immunogenic tumor types.

In October 2023, Beyond Cancer presented positive pre-clinical data at the EORTC International Conference on Molecular Targets and Cancer Therapeutics, demonstrating a statistically significant survival benefit in mice treated with UNO plus anti-PD1 versus anti-PD1 alone. This was a pooled analysis of multiple studies done with 50,000 or 100,000 ppm NO for a single administration of 5 or 10 minutes. Additionally, Beyond Cancer's second manuscript was published in the *Cells Journal* in an article titled "Intratumoral Administration of High-Concentration Nitric Oxide and Anti-mPD-1 Treatment Improves Tumor Regression Rates and Survival in CT26 Tumor-Bearing Mice."

In late December 2023, the Company's safety review committee completed its review of the first 6 human subjects treated with UNO and reported that there were no dose limiting toxicities at the 25,000 ppm NO concentration and the study may progress to the next concentration of 50,000 ppm NO.

In June 2024 at the American Society of Clinical Oncology (ASCO), the Company presented single agent treatment in relapsed or refractory unresectable, primary or metastatic cutaneous and subcutaneous malignancies at UNO doses of 25,000 and 50,000 parts per million. The immune biomarker data at Day 21, following a single 5 minute dose of UNO 50,000 ppm, demonstrated increases in dendritic cells, cytotoxic T-cells, central memory T-cells and a favorable increase in the M1/M2 ratio. Myeloid Derived Suppressor Cells (MDSCs) also showed a 54% decrease. In the 25,000 ppm cohort, the same stimulatory immune biomarkers were upregulated. UNO was generally well tolerated with primarily Grade 1 related toxicities. One Grade 3 adverse event was deemed a dose limiting toxicity in the 50,000 ppm cohort resulting in the expansion of the cohort to six total subjects.

The Company also reported a case of relapsed/refractory Triple Negative Breast Cancer (TNBC) in which the subject showed no evidence of malignancy in a satellite lesion 21 days following UNO treatment and a corollary, rapid and durable clinical resolution of radiation-induced dermatitis.

A Phase 1b trial protocol has been submitted to the Israeli Ministry of Health (IMOH) and upon regulatory approval, this trial will enroll up to 20 subjects with prior exposure to anti-PD-1 antibody that have either progressed, not achieved a response, or have prolonged stable disease (12 weeks) on single agent anti-PD-1 without radiographic evidence of continued tumor reduction. Subjects enrolled in the Phase 1b trial will be treated with the UNO + anti-PD-1 combination.

Selective neuronal nitric oxide synthase (nNOS) inhibitor for the treatment of neurological conditions in collaboration with Hebrew University of Jerusalem

On June 15, 2023, we announced that we had entered into an agreement with Yissum Research Development Company of the Hebrew University of Jerusalem, LTD. (the "University") to acquire the commercial rights for neuronal nitric oxide synthase (nNOS) inhibitors being developed for the treatment of autism spectrum disorder ("ASD") and other neurological conditions. Currently, there are no FDA-approved therapies utilizing nNOS inhibitors specifically for the treatment of ASD. Under the terms of the agreement, Beyond Air will make payments to the University over the two-year period from the date of the agreement for preclinical work. Also, we will pay a low single-digit royalty on net sales and certain one-time payments based on clinical, regulatory and sales milestones.

Work is currently being done by the University in a preclinical setting. We expect the program to progress into a phase 1 first-in-human clinical trial prior to the end of calendar year 2025.

Critical Accounting Estimates

A summary of our critical accounting estimates is discussed in the section entitled "Critical Accounting Estimates" in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Form 10-K. There were no material changes to our critical accounting estimates for the six months ended September 30, 2024.

Results of Operations and Comprehensive Loss

Below are the results of operations for the three and six months ended September 30, 2024 and September 30, 2023:

(in thousands)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2024	2023	2024	2023
Revenue	$ 798	$ 239	$ 1,481	$ 298
Cost of revenue	1,882	432	2,897	735
Gross loss	(1,084)	(193)	(1,416)	(437)
Research and development	(4,585)	(7,130)	(10,594)	(11,826)
General and administrative	(7,163)	(10,211)	(14,402)	(21,147)
Operating expenses	(11,748)	(17,342)	(24,995)	(32,972)
Operating loss	(12,833)	(17,535)	(26,412)	(33,410)
Other income (loss)				
Dividend/interest income	150	641	511	1,050
Interest and finance expense	(927)	(914)	(1,891)	(1,072)

Change in fair value of warrant liability	(4)	324	214	647
Change in fair value of derivative liability	256	500	1,314	1,012
Foreign exchange gain/(loss)	74	(42)	(72)	(34)
Loss on disposal of fixed assets	(171)	-	(171)	-
Loss on extinguishment of debt	(624)	-	(624)	-
Estimated liability for contingent loss	-	(400)	-	(598)
Other income / (expense)	49	-	48	(77)
Total other income (expense)	(1,196)	109	(671)	929
Benefit from income taxes	-	-	-	-
Net loss	$ (14,029)	$ (17,426)	$ (27,083)	$ (32,481)
Less : net loss attributable to non-controlling interests	(671)	(1,205)	(1,525)	(2,165)
Net loss attributable to Beyond Air, Inc.	(13,358)	(16,220)	(25,559)	(30,315)
Foreign currency translation loss	(79)	(35)	24	(9)
Comprehensive loss attributable to Beyond Air, Inc.	$ (13,438)	$ (16,255)	$ (25,535)	$ (30,325)
Net basic and diluted loss per share attributable to Beyond Air, Inc.	$ (0.28)	$ (0.51)	$ (0.55)	$ (0.96)
Weighted average number of shares, outstanding, basic and diluted	47,118,535	31,800,492	46,513,005	31,592,880

Comparison of Three and Six Months Ended September 30, 2024 with the Three and Six Months Ended September 30, 2023

Revenues and Cost of Revenues

$0.8 million and $0.2 million revenue was recognized for the three months ended September 30, 2024 and September 30, 2023, respectively. Cost of revenue of $1.9 million and gross losses of $1.1 million were recognized for the three months ended September 30, 2024, compared to a cost of revenue of $0.4 million and gross losses of $0.2 million for the three months ended September 30, 2023.

$1.5 million and $0.3 million revenue was recognized for the six months ended September 30, 2024 and September 30, 2023, respectively. Cost of revenue of $2.9 million and gross losses of $1.4 million were recognized for the six months ended September 30, 2024, compared to a cost of revenue of $0.7 million and gross losses of $0.4 million for the six months ended September 30, 2023.

Revenues continue to expand as we continue to sign hospital contracts. Cost of revenue exceeded revenue primarily due to one time costs required to upgrade our existing fleet of devices, provisions for excess inventory and depreciation of devices purchased but not yet deployed.

Research and Development Expenses

Research and development expenses for the three months ended September 30, 2024 were $4.6 million as compared to $7.1 million for the three months ended September 30, 2023. The decrease of $2.5 million was primarily attributed to a decrease in spend in salaries $0.6 million ($0.7 million in Beyond Air offset by an increase of $0.1 million in Beyond Cancer), stock-based compensation ($0.5 million in Beyond Air and $0.5 million in Beyond Cancer), pre-clinical studies ($1.0 million related to Beyond Cancer offset by an increase in spend of $0.2 million in NeuroNos), professional fees ($0.4 million in Beyond Cancer offset by an increase spend in Beyond Air $0.1 million), travel expenses $0.1 million in Beyond Air, offset by an increased spend related to clinical studies $0.2 million.

Research and development expenses for the six months ended September 30, 2024 were $10.6 million as compared to $11.8 million for the six months ended September 30, 2023. The decrease of $1.2 million was attributed primarily to a decreased in stock compensation $1.6 million (of which $0.8 million related to Beyond Air and $0.8 million related to Beyond Cancer), pre-clinical expenses $0.6 million (of which $0.9 million was Beyond Cancer offset by an increase in spend of $0.3 million for Autism), professional fees $0.3 million in Beyond Cancer, offset by an increase in salaries $0.3 million (of which was increased spend in Beyond Cancer of $0.6 million offset by a decrease in Beyond Air of $0.3 million) and clinical spend ($0.9 million in Beyond Air offset by a decreased spend in Beyond Cancer $0.1 million).

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended September 30, 2024 and September 30, 2023 were $7.2 million and $10.2 million, respectively. The decrease of $3.0 million was attributed primarily to a decrease of $2.4 million due to stock based compensation cost (of which $1.2 million related to Beyond Air and $1.2 million related to Beyond Cancer), $0.2 million marketing and advertising costs for Beyond Air, $0.2 million of legal fees and $0.2 million of travel expenses.

Selling, general and administrative expenses for the six months ended September 30, 2024 and September 30, 2023 were $14.4 million and $21.1 million, respectively. The decrease of $6.7 million was attributed primarily to a decrease in stock-based compensation ($2.2 million in Beyond Air and $2.3 million in Beyond Cancer), salaries ($1.3 million in Beyond Air offset by an increase in Beyond Cancer of $0.8 million), $0.8 million in consulting fees $0.3 million travel expenses, $0.2 million rent, $0.1 million marketing and advertising costs and $0.1 million legal fees.

Other Income/Expense

Other expense for the three months ended September 30, 2024, and September 30, 2023 was an expense of $1.2 million and income of $0.1 million, respectively. The increase in expense of $1.3 million was attributed primarily to decreased dividend and interest income of $0.5 million, $0.6 million related to the loss on partial extinguishment of the Loan and Security agreement Agreement (the “Loan and Security Agreement”) with Avenue Capital Management II, L.P., as administrative agent and collateral agent (the “Agent”), Avenue Venture Opportunities Fund, L.P., a Delaware limited partnership (“Avenue”), and Avenue Venture Opportunities Fund II, L.P, a Delaware limited partnership (“Avenue 2” and, together with Avenue, the “Lenders”), a change in fair value of the derivative liability on the Loan and Security Agreement of $0.2 million and a change in fair value of the warrant liability on the Loan and Security Agreement of $0.3 million, $0.2 million losses incurred on disposal of fixed assets in relation to office closures offset by a decrease of $0.4 million relating to non-product related litigation and a decrease in foreign exchange losses $0.1 million.

Other income/(expense) for the six months ended September 30, 2024, and September 30, 2023 was an expense of $0.7 million and income of $0.9 million, respectively. The $1.6 million decrease in income is mainly due to a change in fair value of warrant liability of $0.4 million on the Loan and

Security Agreement, in addition to $0.5 million of interest and dividend income from our investments in marketable securities, $0.6 million related to the loss on partial extinguishment of the Loan and Security agreement, an increase in interest expense of $0.8 million and offset by a decrease of $0.6 million of non-product related litigation and change in fair value of the derivative liability of $0.3 million on the Loan and Security Agreement.

Net Loss Attributable to Non-controlling Interests

Net loss attributed to non-controlling interests for the three months ended September 30, 2024, was $0.7 million, compared to $1.2 million for the three months ended September 30, 2023. Net loss attributed to non-controlling interests for the six months ended September 30, 2024, was $1.5 million, compared to $2.2 million for the six months ended September 30, 2023. Non-controlling interests represent 20% of the net loss of our Beyond Cancer subsidiary, which was established in November 2021.

Net Loss Attributed to Common Stockholders

Net loss attributed to common stockholders of Beyond Air, Inc for the three months ended September 30, 2024, was ($13.4) million or a loss of ($0.28) per share, basic and diluted. Our net loss attributed to common stockholders of Beyond Air, Inc for the three months ended September 30, 2023 was ($16.2) million or a loss of ($0.51) per share, basic and diluted.

Net loss attributed to common stockholders of Beyond Air, Inc for the six months ended September 30, 2024, was ($25.6) million or a loss of ($0.55) per share, basic and diluted. Our net loss attributed to common stockholders of Beyond Air, Inc for the six months ended September 30, 2023 was ($30.3) million or a loss of ($0.96) per share, basic and diluted.

Liquidity and Capital Resources

Cash Flows

Below is a summary of our cash flows activities for the six months ended September 30, 2024 and September 30, 2023:

	Six Months Ended September 30,	
(in thousands)	2024	2023
Net cash provided by (used in):		
Operating activities	$ (23,528)	$ (31,472)
Investing activities	19,261	(11,421)
Financing activities	21,360	22,036
Effect of exchange rate changes on cash and cash equivalents	(23)	(19)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (17,069)	$ (20,876)

Operating Activities

For the six months ended September 30, 2024 the net cash used in operating activities was $23.5 million which was primarily due to our net loss of $27.1 million, which includes $6.6 million of stock-based compensation, $0.4 million received in grant payments, $1.5 million of depreciation and amortization, $3.9 million of accrued expenses (which included ($4.5) million of the payment of the final tranche of the Circassia settlement and ($2.9) million for the Hudson Bay settlement and ($7.6) million attributable to the resolution of *Empery Asset Master, Ltd. Et AL, vs AIT Therapeutics Inc.)*

For the six months ended September 30, 2023 the net cash used in operating activities was $31.5 million which was primarily due to our net loss of $32.5 million, which includes $12.6 million of stock-based compensation, $0.4 million received in grant payments, $0.7 million of depreciation and amortization and $1.3 million decrease in accounts payable, partially offset by ($3.5) million of the payment of the second tranche of the Circassia settlement and ($2.9) million for the Hudson Bay settlement and ($7.6) million attributable to the resolution of *Empery Asset Master, Ltd. Et AL, vs AIT Therapeutics Inc*.

Investing Activities

For the six months ended September 30, 2024, net cash provided by investing activities was $19.3 million. For the six months ended September 30, 2023, net cash used in investing activities was $11.4 million. In the six months ended September 30, 2024, the Company redeemed a net $23 million of excess cash in high quality, short term, U.S. dollar denominated marketable equities with high liquidity and invested $3.9 million for the purchase of property and equipment, mainly LungFit PH devices. In the six months ended September 30, 2023, the Company invested $8.9 million of excess cash in high quality, short term, U.S. dollar denominated marketable equities with high liquidity, and $2.5 million for the purchase of property and equipment, mainly LungFit PH devices.

Financing Activities

Net cash provided by financing activities for the six months ended September 30, 2024 was $21.4 million, mainly from the issuance of securities through securities purchase agreements which the net proceeds were $19 million, $7.5 million advance payment on loan and security agreement, and the issuance of common stock in connection with the At-The-Market Offering Sales Agreement with Truist Securities, Inc (the “2022 ATM”) of $0.6 million partially offset by $5.7 million from the payment of short-term loans, including a $5.0 million partial repayment to Avenue Capital. Net cash provided by financing activities for the six months ended September 30, 2023 was $22.0 million, mainly from the Loan and Security Agreement of which the net proceeds were $15.8 million, and the issuance of common stock in connection with the 2022 ATM of $6.7 million partially offset by $0.5 million from the payment of short-term loans.

Future Funding Requirements

We have generated revenue of $2.6 million from the sale of products to date. We had an operating cash flow decrease of $23.5 million for the six months ended September 30, 2024 and we have experienced an accumulated loss of $265.2 million since inception through September 30, 2024. As of September 30, 2024, we had cash, cash equivalents and marketable securities of $28.4 million ($22.6 million excluding Beyond Cancer) and $0.2 million in restricted cash. Management believes these factors raise substantial doubt about the Company’s ability to meet its obligations with cash on hand, however, management believes this doubt is alleviated through plans for increased revenues and decreased expenditures, many of which have already been implemented, enabling increased cash flows. The company has recently signed agreements with TrillaMed (providing access to Department of Defense and Veterans Affairs hospitals), Healthcare Links (expanding access to group purchasing organizations and integrated delivery networks) and Business Asia Consultants (accelerating global expansion) which will drive increased revenues. The company has implemented a capital conservation strategy, reducing our back office footprint, reducing staffing levels by over 30% across the company, placing our VCAP study on hold pending future funding and adjusting our production forecasts. The Company expects an immediate benefit from these actions.

Management is confident that the efforts it has implemented to increase revenues and decrease expenditures, while not assured, will enable the Company to meet its obligations.

Our future capital needs and the adequacy of our available funds will depend on many factors, including, but not necessarily limited to, the cost and time necessary for the development, preclinical studies, clinical trials and certification or regulatory approval of our other medical devices, indications as well as the commercial success of our approved product and any product candidates that receive marketing approval by the FDA. We may be required to raise additional funds through sale of equity or debt securities or through strategic collaborations and/or licensing agreements in order to fund operations until we are able to generate enough product or royalty revenues, if any. Financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could have a material adverse effect on our strategic objectives, results of operations and financial condition.

On May 25, 2021, the Company and Circassia Limited and its affiliates (collectively "Circassia") entered into a settlement agreement ("the Settlement Agreement") resolving all claims by and between the parties and mutually terminating the agreement with Circassia disclosed in Note 8 above. Pursuant to the terms of the Settlement Agreement, the Company agreed to pay Circassia $10.5 million in three installments. The first payment of $2.5 million was triggered upon FDA approval for the LungFit® PH (fixing the Initial Payment Due Date at July 28, 2022). Thereafter, the Company paid $3.5 million to Circassia on the first anniversary of the Initial Payment Due Date and $4.5 million on the second anniversary of the Initial Payment Due Date, which was in the second fiscal quarter of 2025. Additionally, beginning in the third fiscal quarter of 2025, Circassia will receive a quarterly royalty payment equal to 5% of LungFit® PH net sales in the U.S. until the final $6.0 million has been paid.

On February 4, 2022, we entered into an At-The-Market Equity Offering Sales Agreement with Truist Securities, Inc. and Oppenheimer & Co, Inc. (the "2022 ATM"). Under the 2022 ATM, we may sell shares of our common stock having aggregate sales proceeds of up to $50.0 million, from time to time and at various prices. Pursuant to the "baby shelf rules" promulgated by the SEC, if our public float is less than $75.0 million as of specified measurement periods, the number of shares of common stock that may be offered and sold by us under a Form S-3 registration statement, including pursuant to the 2022 ATM, in any twelve-month period is limited to an aggregate amount that does not exceed one-third of our public float. As of September 30, 2024, due to the SEC's "baby shelf rules," we were permitted to sell up to $10.5 million of shares of common stock pursuant to the 2022 ATM. We will remain subject to the "baby shelf rules" under the Form S-3 registration statement until such time as our public float exceeds $75.0 million. If shares of our common stock are sold, there is a 3% fee paid to the sales agent.

On June 15, 2023 (the "Closing Date"), the Company and its wholly owned subsidiary, Beyond Air Ltd. entered into a Loan and Security Agreement (the "LSA") with Avenue Capital Management II, L.P., as administrative agent and collateral agent (the "Agent"), Avenue Venture Opportunities Fund, L.P., a Delaware limited partnership ("Avenue"), and Avenue Venture Opportunities Fund II, L.P, a Delaware limited partnership ("Avenue 2" and, together with Avenue, the "Lenders"). Also on June 15, 2023, the Company entered into a Supplement to the LSA (collectively with the Agreement, the "Loan Agreement") with the Agent and the Lenders for senior secured term loans, with $17.5 million advanced on the Closing Date. On September 30, 2024 Beyond Air and Avenue Capital Management II, L.P., Avenue Venture Opportunities Fund, L.P. and Avenue Venture Opportunities Fund II, L.P. ("collectively, Avenue Capital") reached an agreement to extinguish the Avenue Capital senior secured term loan for a one-time payment of $17.85 million. This agreement eliminates the debt and interest payments that would have been made to Avenue Capital from October 1, 2024 through June 30, 2026 of $12.0 million. In connection with this agreement $5.0 million was paid on September 27, 2024 in partial settlement. The final $12.85million was paid on October 4, 2024. Avenue Capital invested $3.35 million in the securities purchase agreement II at the same terms and conditions as all other investors.

On September 27, 2024, we entered into a binding term sheet for a secured loan with certain lenders including our Chief Executive Officer Steven Lisi and director Robert Carey. The Term Sheet was approved by each of our independent and disinterested directors, following the receipt of a recommendation from an independent investment bank. The Term Sheet provides for the following expected terms: (i) principal amount of $11,500,000; (ii) ten-year term; (iii) interest of 15% per annum of which 12% shall be payable in kind through July 2026; (iv) a royalty interest of 8% of our net sales on a quarterly basis from July 2026 until the facility is repaid in full; and (v) we shall issue the lenders warrants to purchase shares of common stock at an exercise price of $0.3793 per share, in an aggregate amount equal to the quotient of the principal divided by the exercise price. The Company finalized this loan and security agreement on November 1, 2024. (See Note 14)

Our ability to continue to operate beyond the third fiscal quarter of 2026 will be largely dependent upon the successful commercial launch of LungFit® PH, as well as obtaining partners in other parts of the world, and raising additional funds to finance our activities until we are generating cash flow from operations. Further, there are no assurances that we will be successful in obtaining an adequate level of financing for the development and commercialization of our other product candidates.

There are numerous risks and uncertainties associated with the development of our NO delivery system and we are unable to estimate the amounts of increased capital outlays and operating expenses associated with the completion of the research and development of our product candidates.

Our future capital requirements will depend on many factors, including:

- the progress and costs of our preclinical studies, clinical trials and other research and development activities;
- the costs of commercializing the LungFit® system;
- the scope, prioritization and number of our clinical trials and other research and development programs;
- the costs and timing of obtaining certification or regulatory approval for our product candidates;
- the costs of filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;
- the costs of, and timing for, strengthening our manufacturing agreements for production of sufficient clinical quantities of our product candidates;
- the potential costs of contracting with third parties to provide marketing and distribution services for us or for building such capacities internally;
- the costs of acquiring or undertaking the development and commercialization efforts for additional, future therapeutic applications of our product candidates;
- the magnitude of our general and administrative expenses; and
- any cost that we may incur under current and future in-and-out-licensing arrangements relating to our product candidates.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of foreign currency exchange rates.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (our

principal executive officer) and Chief Financial Officer (our principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. 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 its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2024.

Changes in Internal Control Over Financial Reporting

During the three months ended September 30, 2024, there were no changes made to our internal control over financial reporting that materially affected, or that are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in Part I, "Item 1A. Risk Factors" of our 2024 Annual Report except as set forth below.

If we are unable to maintain listing of our securities on the Nasdaq Capital Market, our stock price could be adversely affected and the liquidity of our stock and our ability to obtain financing could be impaired and it may be more difficult for our shareholders to sell their securities.

Although our common stock is currently listed on the Nasdaq Capital Market, we may not be able to continue to meet the exchange's minimum listing requirements or those of any other national exchange. If we are unable to maintain our listing on the Nasdaq Capital Market, our common stock may be thinly traded.

On August 8, 2024, the Company received a letter from the staff of the Nasdaq Listing Qualifications Department (the "Staff") notifying the Company that, for the last 30 consecutive business days, the closing bid price for the Company's common stock has been below the minimum $1.00 per share required for continued listing on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement"). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company has been given 180 calendar days, or until February 4, 2025, to regain compliance with the Minimum Bid Price Requirement. If the Company does not regain compliance with the Minimum Bid Price Requirement by February 4, 2025, the Company may be afforded a second 180 calendar day period to regain compliance. To qualify, the Company will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market with the exception of the Minimum Bid Price Requirement and will need to provide written notice of its intention to cure the deficiency during such additional compliance period, by effecting a reverse split of its common stock, if necessary. If it appears to the Staff that the Company will not be able to cure the deficiency, or if the Company is otherwise not eligible for the additional compliance period, and the Company does not regain compliance by February 4, 2025, Nasdaq will provide written notification to the Company that its common stock is subject to delisting. At that time, the Company may appeal the delisting determination to a hearings panel pursuant to the procedures set forth in the applicable Nasdaq Listing Rules.

If Nasdaq determines to delist our securities from trading on its exchange and we are unable to obtain listing on another national securities exchange, a reduction in some or all of the following may occur, each of which could have a material adverse effect on our shareholders:

- the liquidity of our common stock;
- the market price of our common stock;
- our ability to obtain financing for the continuation of our operations;
- the number of investors that will consider investing in our common stock;
- the number of market makers in our common stock;
- the availability of information concerning the trading prices and volume of our common stock; and

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

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Rule 10b5-1 Trading Arrangement

During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. Exhibits.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of AIT Therapeutics, Inc., dated January 9, 2017, filed as Exhibit 3.1 to our Current Report on Form 8-K, as amended and filed with the SEC on March 15, 2017, and incorporated herein by reference.
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation, dated June 25, 2019, filed as Exhibit 3.3 to our Annual Report on Form 10-K, as filed with the SEC on June 28, 2019, and incorporated herein by reference.
3.3	Amended and Restated Bylaws of AIT Therapeutics, Inc., filed as Exhibit 3.2 to our Current Report on Form 8-K, as amended and filed with the SEC on March 15, 2017, and incorporated herein by reference.
4.1	Form of Common Stock Certificate, filed as Exhibit 4.1 to our Current Report on Form 8-K, as amended and filed with the SEC on March 15, 2017, and incorporated herein by reference.
4.2	Form of Warrant to Purchase Common Stock, by and among AIT Therapeutics, Inc. and the Holders party thereto, filed as Exhibit 10.3 to our Current Report on Form 8-K, as amended and filed with the SEC on March 15, 2017, and incorporated herein by reference.
4.3	Form of Warrant to Purchase Common Stock, by and among AIT Therapeutics, Inc. and the Holders party thereto, filed as Exhibit 4.1 to our Current Report on Form 8-K, as filed with the SEC on April 4, 2017, and incorporated herein by reference.
4.4	Form of Warrant to Purchase Common Stock, by and among AIT Therapeutics, Inc. and the Holders party thereto, filed as Exhibit 4.1 to our Current Report on Form 8-K, as filed with the SEC on February 22, 2018, and incorporated herein by reference.
4.5	Form of Warrant to Purchase Common Stock, filed as Exhibit 4.1 to our Current Report on Form 8-K, as filed with the SEC on March 20, 2020 and incorporated herein by reference.
4.6	Warrant to Purchase Common Stock, by and between Beyond Air, Inc. and Avenue Venture Opportunities Fund, L.P., dated as of June 15, 2023, filed as Exhibit 4.1 to our Current Report on Form 8-K, as filed with the SEC on June 20, 2023, and incorporated herein by reference.
4.7	Warrant to Purchase Common Stock, by and between Beyond Air, Inc. and Avenue Venture Opportunities Fund II, L.P., dated as of June 15, 2023, filed as Exhibit 4.2 to our Current Report on Form 8-K, as filed with the SEC on June 20, 2023, and incorporated herein by reference.
4.8	Form of Common Stock Purchase Warrant, by and between Beyond Air, Inc. and the Holders party thereto, filed as Exhibit 4.1 to our Current Report on Form 8-K, filed with the SEC on March 22, 2024 and incorporated herein by reference.
4.9	Form of Common Stock Purchase Warrant, by and between Beyond Air, Inc. and Avenue Venture Opportunities Fund, L.P., dated as of June 21, 2024, filed as Exhibit 4.1 to our Current Report on Form 8-K, filed with the SEC on June 27, 2024 and incorporated herein by reference.
4.10	Form of Common Stock Purchase Warrant, by and between Beyond Air, Inc. and Avenue Venture Opportunities Fund II, L.P., dated as of June 21, 2024, filed as Exhibit 4.2 to our Current Report on Form 8-K, filed with the SEC on June 27, 2024 and incorporated herein by reference.
4.11	Form of Pre-funded Warrant, by and between Beyond Air, Inc. and the purchasers, filed as Exhibit 4.1 to our Current Report on Form 8-K, filed with the SEC on September 27, 2024 and incorporated herein by reference.
4.12	Form of Common Warrant, by and between Beyond Air, Inc. and the purchasers, filed as Exhibit 4.2 to our Current Report on Form 8-K, filed with the SEC on September 27, 2024 and incorporated herein by reference.
10.1	Form of Securities Purchase Agreement dated September 26, 2024, by and between Beyond Air, Inc. and the purchasers, filed as Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on September 27, 2024 and incorporated herein by reference.
10.2	Form of Registration Rights Agreement dated September 26, 2024, by and between Beyond Air, Inc. and the purchasers dated September 27, 2024, filed as Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on September 27, 2024 and incorporated herein by reference.
10.3	Engagement Letter dated August 16, 2024, by and among Beyond Air, Inc., BTIG, LLC, Laidlaw & Company (UK) LTD, Arcadia Securities, LLC, and Jones Trading Institutional Services LLC, filed as Exhibit 10.3 to our Current Report on Form 8-K, filed with the SEC on September 27, 2024 and incorporated herein by reference.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the XBRL 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 thereunto duly authorized.

BEYOND AIR, INC.

/s/ Steven Lisi

Date: November 11, 2024

Steven Lisi
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Douglas Larson

Date: November 11, 2024

Douglas Larson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Steven Lisi, certify that:

1. I have reviewed this Report on Form 10-Q of Beyond Air, Inc. and its subsidiaries

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 condensed consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

Date: November 11, 2024

/s/ Steven Lisi
Steven Lisi
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Douglas Larson, certify that:

1. I have reviewed this Report on Form 10-Q of Beyond Air, Inc. and its subsidiaries;

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 condensed consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

Date: November 11, 2024

/s/ Douglas Larson

Douglas Larson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

In connection with the accompanying Quarterly Report on Form 10-Q of Beyond Air, Inc. and its subsidiaries for the period ended September 30, 2024 (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, 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 Beyond Air, Inc

/s/ Steven Lisi
Steven Lisi
President and Chief Executive Officer
(Principal Executive Officer)

November 11, 2024

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Beyond Air, Inc. or the certifying officers.

Exhibit 32.2

CERTIFICATION

In connection with the accompanying Quarterly Report on Form 10-Q of Beyond Air, Inc. and its subsidiaries for the period ended September 30, 2024 (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, 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 Beyond Air, Inc.

/s/ Douglas Larson
Douglas Larson
Chief Financial Officer
(Principal Financial and Accounting Officer)

November 11, 2024

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Beyond Air, Inc. or the certifying officers.