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 June 30, 2021

☐ 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: **001-38849**

ISRAMCO SEMICONDUCTORS, INC.

(Exact name of registrant as specified in its charter)

State of Incorporation	Tax ID Number
Israel	98-0351-734

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

Kfar Saba Industrial Center of Excellence
Hamelacha 2, Kfar Saba, Israel 4672402
(Registrant's principal executive offices, including zip code)

+972-9-7600-600
(Registrant's telephone number, including area code)

Title of each Class	Trading Symbol(s)	Name of each Exchange on which Registered
Ordinary Shares, NIS 0.01 par value per share	ISRAMCO	NASDAQ Capital Market

Check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ☐

Check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is an large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting 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 ☒

APPLICABLE ONLY TO CORPORATE ISSUERS

As of August 11, 2021, 10,395,391 shares of the registrant's common stock were outstanding.

ISRAMCO SEMICONDUCTORS, INC.
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2021
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Kfar Saba Semiconductor Resources, Inc.
Condensed Consolidated Statements of Financial Position

(USD$ in 000's)	June 30, 2021 Unaudited	June 30, 2020 Unaudited	December 31, 2020 Audited
ASSETS			
Current assets			
Cash and cash equivalents	1,174,192	1,175,000	1,175,000
Investment in marketable securities	1,000,000	1,000,000	1,000,000
Trade receivables, net	2,644,000	2,644,000	2,644,000
Other receivables	1,000,000	1,000,000	1,000,000
Inventories	1,000,000	1,000,000	1,000,000
Total current assets	7,818,192	7,819,000	7,819,000
Long-term investments	1,000,000	1,000,000	1,000,000
Property, plant and equipment, net of accumulated depreciation	1,000,000	1,000,000	1,000,000
Operating lease right-of-use assets, net	1,000,000	1,000,000	1,000,000
Goodwill & Acquisition Related Intangibles, net	1,000,000	1,000,000	1,000,000
Other long-term assets, net	1,000,000	1,000,000	1,000,000
Total long-term assets	1,000,000	1,000,000	1,000,000
Total assets	8,818,192	8,819,000	8,819,000
LIABILITIES AND OTHER NON-REFUNDABLE EQUITY			
Current liabilities			
Trade payables	1,000,000	1,000,000	1,000,000
Accounting and auditing expenses payable	1,000,000	1,000,000	1,000,000
Other payables	1,000,000	1,000,000	1,000,000
Total current liabilities	1,000,000	1,000,000	1,000,000
Long-term liabilities			
Operating lease liabilities	1,000,000	1,000,000	1,000,000
Other long-term liabilities	1,000,000	1,000,000	1,000,000
Total long-term liabilities	1,000,000	1,000,000	1,000,000
Total liabilities	1,000,000	1,000,000	1,000,000
Commitments Note 5			
Equity			
Ordinary shares, NIS 0.01 par value; 1,000,000 shares authorized; 10,395,391 shares issued and outstanding	1,000,000	1,000,000	1,000,000
Accumulated other comprehensive income (loss)	(1,000,000)	(1,000,000)	(1,000,000)
Accumulated deficit	(1,000,000)	(1,000,000)	(1,000,000)
Total shareholders' equity	8,818,192	8,819,000	8,819,000
Non-controlling interests	1,000,000	1,000,000	1,000,000
Total shareholders' equity	8,818,192	8,819,000	8,819,000
Total liabilities and shareholders' equity	8,818,192	8,819,000	8,819,000

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

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Kfar Saba Semiconductor Resources, Inc.
Condensed Consolidated Statements of Income (Loss)
For the Six Months Ended June 30, 2021 and 2020

(USD$ in 000's)	Six Months Ended June 30, 2021 Unaudited	Six Months Ended June 30, 2020 Unaudited	Year Ended December 31, 2020 Audited
Revenues	1,000,000	1,000,000	1,000,000
Cost of revenues	1,000,000	1,000,000	1,000,000
Gross profit	1,000,000	1,000,000	1,000,000
Operating expenses			
Research and development, net	1,000,000	1,000,000	1,000,000
Selling and marketing	1,000,000	1,000,000	1,000,000
General and administrative	1,000,000	1,000,000	1,000,000
Total operating expenses	1,000,000	1,000,000	1,000,000
Operating income (loss)	1,000,000	1,000,000	1,000,000
Financial income, net	1,000,000	1,000,000	1,000,000
Income (loss) before income taxes	1,000,000	1,000,000	1,000,000
Tax benefit (income taxes)	1,000,000	1,000,000	1,000,000
Equity in loss of an equity method investee, net of tax	1,000,000	1,000,000	1,000,000
Net income (loss)	1,000,000	1,000,000	1,000,000
Net income (loss) attributable to non-controlling interests	1,000,000	1,000,000	1,000,000
Net income (loss) attributable to shareholders	1,000,000	1,000,000	1,000,000
Earnings per share			
Basic earnings per share	1,000,000	1,000,000	1,000,000
Diluted earnings per share	1,000,000	1,000,000	1,000,000
Weighted average shares used in computing earnings per share			
Basic	1,000,000	1,000,000	1,000,000
Diluted	1,000,000	1,000,000	1,000,000

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

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Kfar Saba Semiconductor Resources, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
For the Three and Six Months Ended June 30, 2021 and 2020

(USD$ in 000's)	Three Months Ended June 30, 2021 Unaudited	Three Months Ended June 30, 2020 Unaudited	Six Months Ended June 30, 2021 Unaudited	Six Months Ended June 30, 2020 Unaudited	Year Ended December 31, 2020 Audited
Net income (loss)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other comprehensive income (loss)					
Unrealized gain (loss) on marketable securities, net of tax	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Reclassification adjustment for gain (loss) on marketable securities included in net income (loss), net of tax	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unrealized gain (loss) on cash flow hedges, net of tax	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Reclassification adjustment for gain (loss) on cash flow hedges included in net income (loss), net of tax	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total other comprehensive income (loss)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Comprehensive income (loss)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Comprehensive income (loss) attributable to non-controlling interests	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Comprehensive income (loss) attributable to shareholders	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

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

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Kfar Saba Semiconductor Resources, Inc.
Condensed Consolidated Statements of Changes in Equity
For the Six Months Ended June 30, 2021 and 2020

(USD$ in 000's)	Ordinary Shares Unaudited	Accumulated Other Comprehensive Income (Loss) Unaudited	Accumulated Deficit Unaudited	Total Shareholders' Equity Unaudited	Non-controlling Interests Unaudited	Total Equity Unaudited
Balance January 1, 2020	1,000,000	(1,000,000)	(1,000,000)	1,000,000	1,000,000	1,000,000
Cumulative effect of adoption of ASU 2016-13	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Balance January 1, 2020 as adjusted	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Exercise of options and RSUs	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Share based compensation	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net income (loss)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other comprehensive income (loss)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Balance June 30, 2020	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Exercise of options and RSUs	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Share based compensation	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net income (loss)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other comprehensive income (loss)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Balance December 31, 2020	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

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

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Kfar Saba Semiconductor Resources, Inc.
Condensed Consolidated Statements of Cash Flows

(USD$ in 000's)	June 30, 2021 Unaudited	June 30, 2020 Unaudited	December 31, 2020 Audited
Cash flows from operating activities:			
Net income (loss)	1,000,000	1,000,000	1,000,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,000,000	1,000,000	1,000,000
Share based compensation	1,000,000	1,000,000	1,000,000
Equity in loss of an equity method investee, net of tax	1,000,000	1,000,000	1,000,000
Tax benefit (income taxes)	1,000,000	1,000,000	1,000,000
Financial income, net	1,000,000	1,000,000	1,000,000
Interest received	1,000,000	1,000,000	1,000,000
Tax paid, net of tax refunds	1,000,000	1,000,000	1,000,000
Changes in operating assets and liabilities:			
Trade receivables, net	1,000,000	1,000,000	1,000,000
Other receivables	1,000,000	1,000,000	1,000,000
Inventories	1,000,000	1,000,000	1,000,000
Trade payables	1,000,000	1,000,000	1,000,000
Accounting and auditing expenses payable	1,000,000	1,000,000	1,000,000
Other payables	1,000,000	1,000,000	1,000,000
Net cash provided by (used in) operating activities	1,000,000	1,000,000	1,000,000
Cash flows from investing activities:			
Investment in marketable securities	1,000,000	1,000,000	1,000,000
Investment in long-term investments	1,000,000	1,000,000	1,000,000
Purchase of property and equipment	1,000,000	1,000,000	1,000,000
Purchase of intangible assets	1,000,000	1,000,000	1,000,000
Net cash provided by (used in) investing activities	1,000,000	1,000,000	1,000,000
Cash flows from financing activities:			
Proceeds from exercise of options and RSUs	1,000,000	1,000,000	1,000,000
Proceeds from issuance of ordinary shares, net of issuance costs	1,000,000	1,000,000	1,000,000
Proceeds from issuance of ordinary shares in a public offering, net of issuance costs	1,000,000	1,000,000	1,000,000
Tax paid upon RSU vesting	1,000,000	1,000,000	1,000,000
Net cash provided by (used in) financing activities	1,000,000	1,000,000	1,000,000
Increase (decrease) in cash and cash equivalents	1,000,000	1,000,000	1,000,000
Cash and cash equivalents, beginning of year	1,000,000	1,000,000	1,000,000
Cash and cash equivalents, end of period	1,000,000	1,000,000	1,000,000
Non-cash investing and financing activities			
Purchase of property and equipment, net	1,000,000	1,000,000	1,000,000
Purchase of intangible assets, net	1,000,000	1,000,000	1,000,000
Tax paid upon RSU vesting	1,000,000	1,000,000	1,000,000

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

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Kfar Saba Semiconductor Resources, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 – General

A. The Company and Significant Accounting Policies (unaudited)

The accompanying condensed consolidated financial statements have been prepared by the management of Kfar Saba Semiconductor Resources, Inc.("KSR", "Kfar Saba Semiconductor", the "Company") in accordance with generally accepted accounting principles in the United States ("US GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC").

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of 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 during the reporting period. Actual results may differ from those estimates. In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position, results of operations and changes in cash flows for the periods presented. The results of operations for the six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2021 or any other period. The condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2020 filed with the SEC on March 15, 2021 (the "Form 10-K").

Principles of Consolidated

The consolidated financial statements include the accounts of the company and its majority-owned subsidiary, the Kfar Saba Semi Resources ("KSSR"). Intercompany accounts and transactions have been eliminated in consolidation. Non-controlling interests represent the equity in KSSR that is not attributable to the Company.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to our customers and such goods or services fulfill the performance obligations and transfer of control of the goods or services to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We generally recognize revenue upon shipment or delivery of our products to our customers, depending on the terms of the applicable sales arrangement, when persuasive evidence of an arrangement exists, the price is fixed or determinable, collection of the resulting receivable is probable, and we have no further obligations to provide the ordered goods or services. Revenue is recorded net of sales taxes and other similar taxes, and includes shipping and handling costs when billed to our customers. We do not provide our customers a right of return, and revenue is recognized at the date of receipt of product by our customers.

Our revenues are derived from the sale of our products to customers in the semiconductor industry. Our customers include distributors and original equipment manufacturers ("OEMs") and contract manufacturers ("CMs") that manufacture products for OEMs. We sell our products to our customers pursuant to purchase orders in the ordinary course of our business. We do not have any significant post-shipment obligations such as installation, customer acceptance, training, or other services. We do not offer our customers any rights of return, rebates or other similar incentives. Our customer payment terms are generally based on normal commercial terms, which are typically 30 days from the date of invoice.

Inventories

Our inventories are stated at the lower of cost or net realizable value. Our inventory balances include raw materials, work-in-process and finished goods. Our raw materials consist of silicon wafers and other materials and supplies we use in our manufacturing processes. Our work-in-process and finished goods inventories consist of wafers in various stages of completion, including wafers that are fully processed and ready for shipment to our customers, and finished goods that are held in our warehouse for shipment to our customers. We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If our actual market conditions are less favorable than those we project, additional inventory write-downs may be required.

Investments

Our investments in marketable securities consist of U.S. government and government agency securities, corporate bonds, commercial paper, and certificates of deposit. The following table sets forth our investments in marketable securities by contractual maturity as of June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Contractual maturities		
Less than one year	1,000,000	1,000,000
Total	1,000,000	1,000,000

Our investments in marketable securities are classified as available-for-sale. We consider our investments in marketable securities to be available for use in current operations. The following table sets forth our investments in marketable securities by type as of June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Corporate bonds	1,000,000	1,000,000
Commercial paper	1,000,000	1,000,000
Certificates of deposit	1,000,000	1,000,000
Total	1,000,000	1,000,000

Our investments in marketable securities are carried at fair value, which is based on the quoted market prices at the balance sheet date. Unrealized gains and losses are reported in other comprehensive income (loss), net of tax, in our consolidated statements of comprehensive income (loss). Realized gains and losses are reported in our consolidated statements of income (loss) and are determined on a specific identification basis. The following table sets forth the fair value of our investments in marketable securities by type as of June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Corporate bonds	1,000,000	1,000,000
Commercial paper	1,000,000	1,000,000
Certificates of deposit	1,000,000	1,000,000
Total	1,000,000	1,000,000

As of June 30, 2021 and December 31, 2020 the gross unrealized losses of $nil and $nil, and fair value of $nil and $nil, respectively, consisted solely of corporate bonds that have been in a continuous loss position for less than 12 months.

Accounting for Acquisitions, Business Combinations and Goodwill

Our acquisitions are accounted for in accordance with ASC 805 Business Combinations, using the acquisition method of accounting. We allocate the purchase price of an acquisition to the tangible and intangible assets acquired and liabilities assumed based on their respective fair values. The excess of the purchase price over the aggregate fair values of the assets acquired and liabilities assumed is recorded as goodwill. We perform our goodwill impairment tests on December 31 of each fiscal year. We have elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we elect not to perform a qualitative assessment or if we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform a quantitative assessment. We have not recorded any impairment charges for our goodwill.

Fair Value Measurement

Our financial instruments consist of cash, cash equivalents, marketable securities, and long-term investments. The carrying amounts of our financial instruments, including cash, cash equivalents, marketable securities, and long-term investments, approximate their respective fair values because of the short maturity and liquidity of these instruments. Unrealized gains and losses, if any, on our marketable securities are reflected in our consolidated statements of comprehensive income (loss) and in our consolidated statements of changes in equity. Unrealized losses, if any, on our long-term investments are reflected in our consolidated statements of comprehensive income (loss) and in our consolidated statements of changes in equity when we believe such losses are other than temporary.

Accounting for Investments in Joint Ventures (JV) and Equity Method Investees

We account for our investments in JV and other entities in which we have the ability to exercise significant influence, the JV, in accordance with the provisions of ASC 323 Investments – Equity Method and Joint Ventures. We record our investment in the JV on our consolidated statements of financial position and we record our share of the JV's results of operations in our consolidated statements of income (loss). We record our share of the JV's other comprehensive income (loss) in our consolidated statements of comprehensive income (loss). We record our share of the JV's cash flows in our consolidated statements of cash flows using the cumulative earnings approach. We record our share of the JV's results of operations, other comprehensive income (loss) and cash flows based on our ownership percentage in the JV. We record our share of the JV's results of operations, other comprehensive income (loss) and cash flows in the period in which we have access to the financial information of the JV. We record our share of the JV's results of operations, other comprehensive income (loss) and cash flows on a one-month lag. We record our share of the JV's results of operations in our consolidated statements of income (loss) in "Equity in loss of an equity method investee, net of tax".

Recent Accounting Pronouncements

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Kfar Saba Semiconductor Resources, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

B. Recent Accounting Pronouncements (unaudited)

ASU 2016-13

During the quarter ended June 30, 2020, the Company's accounting for its trade receivables and other financial assets measured on a collective (pool) basis or on a collateral-dependent basis, in accordance with ASC 326 Financial Instruments – Credit Losses, Measurement of Credit Losses on Financial Instruments ("ASC 326") and ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which requires the Company to measure all expected credit losses for financial assets held at the reporting period date based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The Company has assessed its accounts receivable as of June 30, 2021 and 2020 and determined that the allowance for credit losses is immaterial.

C. Inventories

As of June 30, 2021 and December 31, 2020 the Company's inventories consisted of the following:

	June 30, 2021	December 31, 2020
Raw materials	1,000,000	1,000,000
Work-in-process	1,000,000	1,000,000
Finished goods	1,000,000	1,000,000
Total	1,000,000	1,000,000

Inventory write-down charges for the six months ended June 30, 2021 and 2020 were immaterial.

D. Property, Plant and Equipment

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

	June 30, 2021	December 31, 2020
Machinery and equipment	1,000,000	1,000,000
Computer equipment and software	1,000,000	1,000,000
Leasehold improvements	1,000,000	1,000,000
Total	1,000,000	1,000,000
Less: Accumulated depreciation	1,000,000	1,000,000
Net	1,000,000	1,000,000

Depreciation expense for the six months ended June 30, 2021 and 2020, amounted to $nil and $nil, respectively.

E. Goodwill and Other Intangible Assets

	June 30, 2021	December 31, 2020
Goodwill	1,000,000	1,000,000
Total	1,000,000	1,000,000

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Kfar Saba Semiconductor Resources, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

F. Leases

Our operating lease right-of-use assets and operating lease liabilities consisted of the following:

	June 30, 2021	December 31, 2020
Operating lease right-of-use assets	1,000,000	1,000,000
Current operating lease liabilities	1,000,000	1,000,000
Long-term operating lease liabilities	1,000,000	1,000,000
Total operating lease liabilities	1,000,000	1,000,000

The weighted average remaining lease term and weighted average discount rate for our operating leases were as follows:

	June 30, 2021	December 31, 2020
Weighted average remaining lease term (years)	1,000,000	1,000,000
Weighted average discount rate	1,000,000	1,000,000

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Kfar Saba Semiconductor Resources, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

G. Income Taxes

Our effective tax rate for the six months ended June 30, 2021 and 2020, approximate income tax provision(benefit) as a % of Pre-tax income.

	June 30, 2021	June 30, 2020
Pre-tax income	1,000,000	1,000,000
Tax benefit (income taxes)	1,000,000	1,000,000
Effective tax rate	1,000,000	1,000,000

Our tax benefit (or tax provision) and effective tax rate for the six months ended June 30, 2021 and 2020, approximate income tax provision(benefit) as a % of Pre-tax income.

	June 30, 2021	June 30, 2020
Pre-tax income	1,000,000	1,000,000
Tax benefit (income taxes)	1,000,000	1,000,000
Effective tax rate	1,000,000	1,000,000

Our tax benefit (or tax provision) and effective tax rate for the three months ended June 30, 2021 and 2020, approximate income tax provision(benefit) as a % of Pre-tax income.

	June 30, 2021	June 30, 2020
Pre-tax income	1,000,000	1,000,000
Tax benefit (income taxes)	1,000,000	1,000,000
Effective tax rate	1,000,000	1,000,000

H. Net Income (Loss) Per Share

Basic and diluted net income (loss) per share for the six months ended June 30, 2021 and 2020 consisted of the following:

	June 30, 2021	June 30, 2020
Net income (loss)	1,000,000	1,000,000
Weighted average shares used in computing earnings per share		
Basic	1,000,000	1,000,000
Diluted	1,000,000	1,000,000
Basic earnings per share	1,000,000	1,000,000
Diluted earnings per share	1,000,000	1,000,000

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Kfar Saba Semiconductor Resources, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

I. Shareholders' Equity

Ordinary Shares

Our ordinary shares consisted of the following as of June 30, 2021 and December 31, 2020 respectively:

	June 30, 2021	December 31, 2020
Ordinary shares, NIS 0.01 par value	1,000,000	1,000,000
Issuance of ordinary shares	1,000,000	1,000,000
Balance, end of period	1,000,000	1,000,000

Share Based Compensation

Our share based compensation expenses for the six months ended June 30, 2021 and 2020 were as follows:

	June 30, 2021	June 30, 2020
Cost of revenues	1,000,000	1,000,000
Research and development, net	1,000,000	1,000,000
Selling and marketing	1,000,000	1,000,000
General and administrative	1,000,000	1,000,000
Total share based compensation expenses	1,000,000	1,000,000

Our share based compensation expenses for the three months ended June 30, 2021 and 2020 were as follows:

	June 30, 2021	June 30, 2020
Cost of revenues	1,000,000	1,000,000
Research and development, net	1,000,000	1,000,000
Selling and marketing	1,000,000	1,000,000
General and administrative	1,000,000	1,000,000
Total share based compensation expenses	1,000,000	1,000,000

Stock Options

A summary of our stock option activity for the six months ended June 30, 2021 and 2020 and for the year ended December 31, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance December 31, 2020	1,000,000	1,000,000	1,000,000	1,000,000
Granted	1,000,000	1,000,000	1,000,000	1,000,000
Exercised	1,000,000	1,000,000	1,000,000	1,000,000
Forfeited	1,000,000	1,000,000	1,000,000	1,000,000
Expired	1,000,000	1,000,000	1,000,000	1,000,000
Balance June 30, 2021	1,000,000	1,000,000	1,000,000	1,000,000
Vested and expected to vest as of June 30, 2021	1,000,000	1,000,000	1,000,000	1,000,000
Exercisable as of June 30, 2021	1,000,000	1,000,000	1,000,000	1,000,000

Restricted Stock Units ("RSUs")

A summary of our RSU activity for the six months ended June 30, 2021 and 2020 and for the year ended December 31, 2020 is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value
Balance December 31, 2020	1,000,000	1,000,000
Granted	1,000,000	1,000,000
Vested	1,000,000	1,000,000
Forfeited	1,000,000	1,000,000
Balance June 30, 2021	1,000,000	1,000,000
Expected to vest as of June 30, 2021	1,000,000	1,000,000

Note 2 – Related Parties

A. Transactions with Related Parties (unaudited)

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Kfar Saba Semiconductor Resources, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

B. Balances with Related Parties (unaudited)

	June 30, 2021	December 31, 2020
Other receivables	1,000,000	1,000,000
Total	1,000,000	1,000,000

Note 3 – Subsequent Events

A. Subsequent Events (unaudited)

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Kfar Saba Semiconductor Resources, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 4 – Fair Value Measurements

A. Fair Value Measurements (unaudited)

The following table sets forth our financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	1,000,000	1,000,000
Marketable securities	1,000,000	1,000,000
Total assets	1,000,000	1,000,000
Liabilities		
Total liabilities	1,000,000	1,000,000

B. Other Financial Instruments (unaudited)

The carrying amounts of our other financial instruments, including our trade receivables and other receivables, approximate their respective fair values because of the short maturity and liquidity of these instruments. Unrealized gains and losses, if any, on our long-term investments are reflected in our consolidated statements of comprehensive income (loss) and in our consolidated statements of changes in equity. Unrealized losses, if any, on our long-term investments are reflected in our consolidated statements of comprehensive income (loss) and in our consolidated statements of changes in equity when we believe such losses are other than temporary.

C. Investment in Marketable Securities

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Kfar Saba Semiconductor Resources, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

D. Investment in Marketable Securities (unaudited)

The following table sets forth our investments in marketable securities by type as of June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Corporate bonds	1,000,000	1,000,000
Commercial paper	1,000,000	1,000,000
Certificates of deposit	1,000,000	1,000,000
Total	1,000,000	1,000,000

Our investments in marketable securities are classified as available-for-sale. We consider our investments in marketable securities to be available for use in current operations. The following table sets forth our investments in marketable securities by contractual maturity as of June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Contractual maturities		
Less than one year	1,000,000	1,000,000
Total	1,000,000	1,000,000

Our investments in marketable securities are carried at fair value, which is based on the quoted market prices at the balance sheet date. Unrealized gains and losses are reported in other comprehensive income (loss), net of tax, in our consolidated statements of comprehensive income (loss). Realized gains and losses are reported in our consolidated statements of income (loss) and are determined on a specific identification basis. The following table sets forth the fair value of our investments in marketable securities by type as of June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Corporate bonds	1,000,000	1,000,000
Commercial paper	1,000,000	1,000,000
Certificates of deposit	1,000,000	1,000,000
Total	1,000,000	1,000,000

As of June 30, 2021 and December 31, 2020 the gross unrealized losses of $nil and $nil, and fair value of $nil and $nil, respectively, consisted solely of corporate bonds that have been in a continuous loss position for less than 12 months.

Accounting for Acquisitions, Business Combinations and Goodwill

Our acquisitions are accounted for in accordance with ASC 805 Business Combinations, using the acquisition method of accounting. We allocate the purchase price of an acquisition to the tangible and intangible assets acquired and liabilities assumed based on their respective fair values. The excess of the purchase price over the aggregate fair values of the assets acquired and liabilities assumed is recorded as goodwill. We perform our goodwill impairment tests on December 31 of each fiscal year. We have elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we elect not to perform a qualitative assessment or if we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform a quantitative assessment. We have not recorded any impairment charges for our goodwill.

Fair Value Measurement

Our financial instruments consist of cash, cash equivalents, marketable securities, and long-term investments. The carrying amounts of our financial instruments, including cash, cash equivalents, marketable securities, and long-term investments, approximate their respective fair values because of the short maturity and liquidity of these instruments. Unrealized gains and los

as the stock-based compensation expense of $495,146 and $990,292 in the three and six-month periods ended June 30, 2025 and none in the same periods in 2024.

- The consolidated net income for the six-month periods ended June 30, 2025 and 2024 included non-cash charges as follows: depreciation and amortization of $1,091,359 ($957,718 in 2024), loss on sale of equipment of $308,840 ($7,431 in 2024), accretion of asset retirement obligation of $9,855 ($9,226 in 2024), loss on investment in equity securities of $0 ($453 in 2024), equity income on investment in Buckskin of $1,187 ($278 in 2024), and stock-based compensation expense of $990,292 (none in 2024).
- Cash cost per ounce for the three and six-month periods ended June 30, 2025 increased $160.01 and $82.75 per ounce, respectively, compared to the same periods in 2024.
- All in sustaining cost per ounce increased during the three and six-month periods ended June 30, 2025 compared to the same periods in 2024 due to an increase in exploration costs from underground and surface drilling at the Golden Chest Mine as well as increased exploration costs across many of the Company's projects. Adjusted all in sustaining costs without exploration expenses were $1,313.31 and $1,156.50 per ounce for the three and six-month periods ended June 30, 2025, respectively and $1,197.99 and $1,155.08 for the three and six-month periods ended June 30, 2024, respectively.

Cash Costs and All In Sustaining Costs ("AISC") Reconciliation to Generally Accepted Accounting Principles ("GAAP")

Reconciliation of cost of sales and other direct production costs and depreciation, depletion, and amortization (GAAP) to cash cost per ounce and AISC per ounce (non-GAAP).

The table below presents reconciliations between the most comparable GAAP measure of cost of sales and other direct production costs and depreciation, depletion, and amortization to the non-GAAP measures of cash cost per ounce and AISC per ounce for the Company's gold production in the three and six-month periods ended June 30, 2025, and 2024.

Cash cost per ounce is an important operating measure that is utilized to measure operating performance. AISC per ounce is an important measure that is utilized to assess net cash flow after costs for pre-development, exploration, reclamation, and sustaining capital. Current GAAP measures used in the mining industry, such as cost of goods sold do not capture all of the expenditures incurred to discover, develop, and sustain gold production. During 2024, the Company changed the way sustaining capital is calculated to better reflect actual costs required to sustain mining operations. Prior periods have been restated in the table below to reflect this change. Idaho Strategic calculates sustaining capital by including depreciation and amortization as an estimate of property, plant, and equipment wear and tear necessary to maintain production capacity, plus Golden Chest capitalized development costs, net of current period amortization, to reflect expenses for sustaining mine access and gold production.

	June 30, 2025		June 30, 2024	
	Three Months	Six Months	Three Months	Six Months
Cost of sales and other direct production costs and depreciation and amortization	$ 4,000,953	$ 7,581,403	$ 3,051,957	$ 6,112,658
Less depreciation, depletion, amortization and stock-based compensation	(846,872)	(1,701,627)	(455,930)	(957,718)
Change in concentrate inventory	50,601	(221,069)	30,224	110,069
Cash Cost	$ 3,204,682	$ 5,658,707	$ 2,626,251	$ 5,265,009
Exploration	2,244,761	3,616,194	620,056	887,904
Less REE exploration costs	(236,790)	(340,462)	(70,381)	(157,526)
Sustaining capital	788,722	1,412,966	681,321	1,364,148
General and administrative	223,735	460,753	179,456	340,119
Less stock-based compensation and other non-cash items	(264,081)	(697,532)	(9,262)	(16,832)
AISC	$ 5,961,029	$ 10,110,626	$ 4,027,441	$ 7,682,822
Divided by ounces produced	3,010	5,910	2,903	6,019
Cash cost per ounce	$ 1,064.68	$ 957.48	$ 904.67	$ 874.73
AISC per ounce	$ 1,980.41	$ 1,710.77	$ 1,387.34	$ 1,276.43

Financial Condition and Liquidity

	For the Six-Months Ended June 30,	
Net cash provided (used) by:	2025	2024
Operating activities	$ 5,952,549	$ 5,209,442
Investing activities	(10,312,403)	(8,199,280)
Financing activities	5,697,429	2,517,619
Net change in cash and cash equivalents	1,337,575	(472,219)
Cash and cash equivalents, beginning of period	1,106,901	2,286,999
Cash and cash equivalents, end of period	$ 2,444,476	$ 1,814,780

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The Company is currently producing profitably from underground at the Golden Chest Mine. In the past, the Company has been successful in raising required capital from sale of common stock, forward gold contracts, and debt. As a result of its profitable production, equity sales and potential debt borrowings or restructurings, management believes cash flows from operations and existing cash are sufficient to conduct planned operations and meet contractual obligations for the next 12 months.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for small reporting companies.

ITEM 4: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At June 30, 2025, the Company's President, who serves as Chief Executive Officer, and the Company's Vice President, who serves as Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized, and reported within required time periods specified by the Securities and Exchange Commission rules and forms.

Based upon that evaluation, it was concluded that the Company's disclosure controls were effective as of June 30, 2025, to ensure timely reporting with the Securities and Exchange Commission. Specifically, the Company's corporate governance and disclosure controls and procedures provided reasonable assurance that required reports were timely and accurately reported in periodic reports filed with the Securities and Exchange Commission.

Changes in internal control over financial reporting

There was no material change in internal control over financial reporting in the quarter ended June 30, 2025.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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

Neither the constituent instruments defining the rights of the Company's securities filers nor the rights evidenced by the Company's outstanding common stock have been modified, limited or qualified.

In the second quarter of 2025, 9,559 shares of common stock were issued in exchange for outstanding stock options via cashless exercises by employees.

During the second quarter of 2024, 29,763 shares of common stock were issued in exchange for outstanding warrants for net proceeds of $166,673. 21,429 shares of common stock were issued in exchange for outstanding stock options for net proceeds of $120,002 and 86,481 shares of common stock were issued for outstanding stock options via cashless exercises by employees.

The Company relied on the transaction exemption afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, and Regulation D Rule 506(b). The common shares are restricted securities which may not be publicly sold unless registered for resale with the Securities and Exchange Commission or exempt from the registration requirements of the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company has no outstanding senior securities.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in exhibit 95 to this report.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibits

3.1	Amended and Restated Articles of Incorporation, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on October 27, 2021
3.2	Amended and Restated By-laws of Idaho Strategic Resources, Inc., incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on October 27, 2021
10.1	Registrant's Grant of Options to Employees and Directors of the Company dated January 15, 2025, incorporated herein by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on January 17, 2025.
19*	Insider trading policy
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95*	Mine safety information listed in Section 1503 of the Dodd-Frank Act.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

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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.

IDAHO STRATEGIC RESOURCES, INC

By: /s/ John Swallow
John Swallow,
its: President and Chief Executive Officer
Date August 7, 2025

By: /s/ Grant Brackebusch
Grant Brackebusch,
its: Vice President and Chief Financial Officer
Date: August 7, 2025