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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2026**

☐ **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: **001-32513**

DYADIC INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**45-0486747**
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
1044 North U.S. Highway One, Suite 201 Jupiter, Florida	**33477**
Address of Principal Executive Offices	Zip Code

(561) 743-8333
Registrant's Telephone Number, Including Area Code

N/A
Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	DYAI	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 X 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 X 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 X	Smaller reporting company X
	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 Act). Yes ☐ No X

The number of shares outstanding of the registrant's common stock as of August 11, 2026 was 36,438,703.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q ("Quarterly Report”) contains forward-looking statements within the meaning of the federal securities laws, particularly under Item 2 "Management’s Discussion and Analysis.” All statements other than statements of historical fact are forward-looking. Examples of forward-looking statements include, but are not limited to, statements regarding industry prospects, future business, future results of operations or financial condition, future liquidity and capital resources, our ability to implement our agreements with third parties, management strategies, and our competitive position. Forward-looking statements generally can be identified by use of the words "expect,” "should,” "intend,” "anticipate,” "will,” "project,” "may,” "might,” "potential,” or "continue” and other similar terms or variations of them or similar terminology. Dyadic International, Inc., and its subsidiaries caution readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Such statements reflect the current views of our management with respect to our operations, results of operations and future financial performance.

Forward-looking statements involve many risks, uncertainties, or other factors beyond Dyadic’s control. These factors include, but are not limited to (i) our history of net losses, and management’s related conclusion that there is substantial doubt about our ability to continue as a going concern for the 12 months following June 30, 2026; (ii) market and regulatory acceptance of our microbial protein production platforms and other technologies; (iii) failure to commercialize our microbial protein production platforms or our other technologies; (iv) competition, including from alternative technologies; (v) the results of nonclinical studies and clinical trials; (vi) our capital needs and the dilutive impact of a capital raise to mitigate our going-concern risk; (vii) changes in global economic and financial conditions; (viii) our reliance on information technology; (ix) our dependence on third parties; (x) government regulations and environmental, social and governance issues; (xi) intellectual property risks; (xii) our ability to comply with the listing standards of the Nasdaq Stock Market LLC ("Nasdaq”); and (xiii) other factors discussed in Dyadic’s publicly available filings, including information set forth under the caption "Risk Factors” in this Quarterly Report and in our annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC”) on March 25, 2026, as amended on April 30, 2026 (the "Annual Report”). We caution you that the foregoing list of important factors is not exclusive. Any forward-looking statements are based on our beliefs, assumptions, and expectations of future performance, considering the information currently available to us. Before investing in our common stock, investors should carefully read the information set forth under the caption "Risk Factors” and elsewhere in this Quarterly Report, in our Annual Report and in our other SEC filings, which could have a material effect on our business, results of operations and financial condition. The forward-looking statements contained in this Quarterly Report are made only as of the date hereof, and except as required by law, we undertake no obligation to publicly update any forward-looking statements for any reason after the date of this Quarterly Report to conform these statements to actual results or to changes in our expectations.

PART I

Item 1. Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 1,425,364	$ 4,622,331
Short-term investment securities	1,688,355	2,698,661
Restricted cash	1,555,649	1,231,168
Interest receivable	16,014	35,129
Accounts receivable	1,302,439	1,090,297
Prepaid expenses and other current assets	418,943	219,067
Total current assets	6,406,764	9,896,653
Non-current assets:		
Long-term investment securities	109,416	—
Operating lease right-of-use asset, net	9,851	38,535
Other assets	10,500	10,537
Total assets	$ 6,536,531	$ 9,945,725
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 816,059	$ 852,024
Accrued expenses	1,395,680	967,974
Deferred research and development obligations	1,564,172	1,730,852
Operating lease liability	5,054	34,621
Accrued interest	60,000	60,000
Accrued interest- related party	41,800	41,800

Total current liabilities	3,882,765	3,687,271
Non-current liabilities:		
Convertible notes, net of issuance costs	2,971,125	2,962,304
Convertible notes, net of issuance costs - related party	2,069,885	2,063,740
Total liabilities	8,923,775	8,713,315
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, $.0001 par value:		
Authorized shares - 5,000,000; none issued and outstanding	—	—
Common stock, $.001 par value:		
Authorized shares - 100,000,000; issued shares - 48,692,205 and 48,441,300, outstanding shares - 36,438,703 and 36,187,798 as of June 30, 2026, and December 31, 2025, respectively	48,693	48,442
Additional paid-in capital	114,023,653	113,564,991
Treasury stock shares held at cost - 12,253,502	(18,929,915)	(18,929,915)
Accumulated deficit	(97,529,675)	(93,451,108)
Total stockholders' (deficit) equity	(2,387,244)	1,232,410
Total liabilities and stockholders' equity	$ 6,536,531	$ 9,945,725

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

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Revenue:				
Research and development revenue	$ 123,886	$ 213,449	$ 527,476	$ 396,549
Grant revenue	837,252	503,181	1,324,618	713,653
License and milestone revenue	—	250,000	220,000	250,000
Total revenue	961,138	966,630	2,072,094	1,360,202
Costs and expenses:				
Costs of research and development revenue	123,322	148,457	463,479	274,937
Costs of grant revenue	860,843	465,134	1,312,526	636,312
Research and development	332,621	629,379	808,690	1,124,358
General and administrative	1,689,863	1,436,630	3,445,194	3,032,968
Foreign currency exchange (gain) loss	8,693	16,098	(898)	23,170
Total costs and expenses	3,015,342	2,695,698	6,028,991	5,091,745
Loss from operations	(2,054,204)	(1,729,068)	(3,956,897)	(3,731,543)
Other income (expense):				
Interest income	39,705	49,127	96,896	137,585
Interest expense	(64,479)	(89,456)	(128,821)	(178,699)
Interest expense - related party	(44,906)	(24,377)	(89,745)	(48,696)
Total other expense, net	(69,680)	(64,706)	(121,670)	(89,810)
Net loss	$ (2,123,884)	$ (1,793,774)	$ (4,078,567)	$ (3,821,353)
Basic and diluted net loss per common share	$ (0.06)	$ (0.06)	$ (0.11)	$ (0.13)
Basic and diluted weighted-average common shares outstanding	36,438,703	30,102,324	36,418,462	30,071,285

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

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Six Months Ended June 30, 2026						
	Common Stock		Treasury Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
January 1, 2026	48,441,300	$ 48,442	(12,253,502)	$ (18,929,915)	$ 113,564,991	$ (93,451,108)	$ 1,232,410
Stock-based compensation expense	—	—	—	—	139,299	—	139,299
Issuance of common stock upon vesting of restricted stock units	250,905	251	—	—	174,991	—	175,242
Net loss	—	—	—	—	—	(1,954,683)	(1,954,683)
March 31, 2026	48,692,205	$ 48,693	(12,253,502)	$ (18,929,915)	$ 113,879,281	(95,405,791)	(407,732)

	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total
Stock-based compensation expense	—	—	—	—	144,372	—	144,372
Net loss	—	—	—	—	—	(2,123,884)	(2,123,884)
June 30, 2026	48,692,205	$ 48,693	(12,253,502)	$ (18,929,915)	$ 114,023,653	$ (97,529,675)	$ (2,387,244)

	Six Months Ended June 30, 2025						
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
January 1, 2025	42,089,301	$ 42,090	(12,253,502)	$ (18,929,915)	$ 107,444,595	$ (86,086,480)	$ 2,470,290
Stock-based compensation expense	—	—	—	—	225,030	—	225,030
Issuance of common stock upon vesting of restricted stock units	250,964	251	—	—	231,370	—	231,621
Issuance of common stock upon exercise of stock options	27,483	27	—	—	24,222	—	24,249
Net loss	—	—	—	—	—	(2,027,579)	(2,027,579)
March 31, 2025	42,367,748	$ 42,368	(12,253,502)	$ (18,929,915)	$ 107,925,217	$ (88,114,059)	$ 923,611
Stock-based compensation expense	—	—	—	—	340,462	—	340,462
Issuance of common stock upon vesting of restricted stock units	21,552	22	—	—	(22)	—	—
Net loss	—	—	—	—	—	(1,793,774)	(1,793,774)
June 30, 2025	42,389,300	$ 42,390	(12,253,502)	$ (18,929,915)	$ 108,265,657	$ (89,907,833)	$ (529,701)

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

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cash flows from operating activities		
Net loss	$ (4,078,567)	$ (3,821,353)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	283,671	565,492
Amortization of held-to-maturity securities, net	(8,422)	(15,996)
Amortization of debt issuance costs	14,966	23,794
Foreign currency exchange (gain) loss, net	(898)	23,170
Changes in operating assets and liabilities:		
Interest receivable	19,115	(10,488)
Accounts receivable	(217,922)	(471,860)
Prepaid expenses and other current assets	(199,819)	218,050
Operating lease assets and liabilities	(883)	11
Accounts payable	(28,437)	224,080
Accrued expenses	602,510	191,009
Accrued interest - related party	—	(5,373)
Deferred research and development obligation	(166,680)	999,718
Net cash used in operating activities	**(3,781,366)**	**(2,079,746)**
Cash flows from investing activities		
Purchases of held-to-maturity investment securities	(1,293,431)	(4,560,278)
Proceeds from maturities of investment securities	2,202,743	4,080,762
Net cash provided/(used in) investing activities	**909,312**	**(479,516)**
Cash flows from financing activities		
Proceeds from exercise of stock	—	24,249
Net cash provided by financing activities	**—**	**24,249**
Effect of exchange rate changes on cash	(432)	2,693
Net decrease in cash, cash equivalents, and restricted cash	**(2,872,486)**	**(2,532,320)**
Cash, cash equivalents, and restricted cash at beginning of period	5,853,499	6,506,750
Cash, cash equivalents, and restricted cash at end of period	**$ 2,981,013**	**$ 3,974,430**
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets		
Cash and cash equivalents	1,425,364	2,140,899
Restricted cash	1,555,649	1,833,531
Total cash, cash equivalents, and restricted cash	**$ 2,981,013**	**$ 3,974,430**
Supplemental cash flow information		
Vesting of restricted stock units	$ 171,242	$ 269,100
Cash paid for interest	$ 203,600	$ 208,973

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

Notes to Consolidated Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

Description of Business

Dyadic International, Inc. ("Dyadic", "we", "us", "our", or the "Company") d/b/a Dyadic Applied BioSolutions, is a global biotechnology platform company headquartered in Jupiter, Florida, with operations in the U.S. and the Netherlands. We develop and commercialize scalable, non-animal protein production platforms to meet growing global demand across the life sciences, food and nutrition, and bio-industrial markets.

Effective August 1, 2025, we are doing business as Dyadic Applied BioSolutions. This rebranding initiative marks a strategic transition from a research-driven organization to a commercially focused enterprise. The new name and visual identity better reflect the emphasis on delivering applied biotechnology solutions through our patented and proprietary Dapibus™ and C1 protein production platforms.

Our proprietary platforms—Dapibus™ and C1—are designed for rapid, cost-effective, and flexible production of high-value proteins, enabling partners to reduce development timelines and manufacturing costs. Our focus is to commercialize high-value, non-therapeutic proteins in the life sciences, food, nutrition and industrial bioprocessing sectors. These proteins avoid the regulatory complexity and high costs associated with therapeutic biologics, enabling faster time to revenue, broader market reach, and long-term supply agreements. Our recent significant milestones across both food and nutrition as well as fully funded legacy collaborations, such as with the Gates Foundation, underscore our strategic shift to revenue-focused bioprocessing protein platforms from therapeutic and vaccine development.

Liquidity and Capital Resources

In accordance with FASB Accounting Standards Codification ("ASC") 205-40, Presentation of Financial Statements – Going Concern ("Topic 205-40"), management is required to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within 12 months from the issuance date of the Company's financial statements. This initial evaluation does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date the condensed financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the condensed financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the condensed financial statements are issued.

As of June 30, 2026, we had $4.80 million in cash and cash equivalents, restricted cash ($1.56 million), and the carrying value of investment securities, including accrued interest, and shareholders' deficit of $2.39 million. For the six months ended June 30, 2026, we had a net loss of $4.08 million, $3.78 million in net cash used in operating activities, and accumulated deficit of $97.53 million. The Company has a history of recurring losses and negative cash flows. These factors raise substantial doubt about our ability to continue as a going concern within one year after the date the financial statements are issued.

The accompanying condensed financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The continuation of the Company as a going concern is primarily dependent upon the ability of the Company to obtain debt or equity financing to continue operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

To mitigate the conditions raising substantial doubt about our ability to continue as a going concern, management is pursuing: (i) securing additional capital, potentially through a combination of public or private equity offerings and/or additional proceeds from our At-The-Market Equity Offering Program (as defined below); (ii) applying for several grant fundings from various organizations; (iii) executing on commercial pilot sales, with recorded recognized sales revenues anticipated to begin in the second half of 2026; and/or (iv) obtaining licensing revenue from several interested parties.

There is no certainty that we will be able to execute on these plans in a timely fashion or at all. We have not consummated any transaction as of the date of this Quarterly Report. The Company believes that substantial doubt exists regarding its ability to continue as a going concern for at least 12 months from the date of issuance of the Company's condensed financial statements.

On March 8, 2024, the Company issued an aggregate principal amount of $6,000,000 of its 8.0% Senior Secured Convertible Promissory Notes (the "Convertible Notes") in a private placement. The purchasers of the Convertible Notes included immediate family members and family trusts related to Mark Emalfarb, our President and Chief Executive Officer and a member of our Board of Directors, including The Francisco Trust, an existing holder of more than 5% of the Company's outstanding common stock (collectively, the "Purchasers"). The net proceeds from the sale of Convertible Notes, after deducting offering expenses, were $5,824,326. The Company intends to use the net proceeds from the offering of the Convertible Notes for working capital and general corporate purposes.

The Convertible Notes are senior, secured obligations of Dyadic and its affiliates, and interest is payable quarterly in cash on the principal amount equal to 8% per annum. The Convertible Notes, as amended, will mature on December 31, 2027 (the "Maturity Date"), unless earlier converted, repurchased, or redeemed in accordance with the terms of the Convertible Notes. The Convertible Notes can be converted into shares of common stock, at the option of the holders of the Convertible Notes (the "Noteholders") at any time prior to the Maturity Date.

During the year ended December 31, 2024, $910,000 of Convertible Notes were converted into 556,623 shares of common stock. For more information regarding the Convertible Notes, including the covenants related thereto, see Note 4 to the Consolidated Financial Statements.

On May 1, 2025, the Company amended the Convertible Notes to extend the Redemption Date (as defined in the Convertible Notes) to December 1, 2026.

On September 15, 2025, the Company amended the security agreement to reflect updates to the Secured Parties (as defined in the Security Agreement) thereunder, including the addition of a trust for the benefit of the Company's Chief Executive Officer, Mark Emalfarb, as a result of his purchase and assignment to him of one of the Notes from an existing note holder in a principal amount of $1,000,000.

On December 23, 2025, the Company entered into an additional amendment to the Convertible Notes, pursuant to which (i) the Maturity Date (as defined in the Convertible Notes) was extended from March 8, 2027 to December 31, 2027, (ii) the conversion price at which the Convertible Notes are convertible into shares of the Company's common stock was set at $1.05 per share of common stock, and (iii) except in the case of an Event of Default (as defined in the Convertible Notes), the holders no longer have the right to elect to have the Company redeem all, or any part, of the principal amount then remaining under the Convertible Notes.

The Convertible Notes contain customary covenants, and the Securities Purchase Agreement relating to the Convertible Notes also contains certain affirmative and negative covenants (including, without limitation, restrictions on our ability to incur indebtedness, permit liens, make dividends or certain debt payments or consummate certain affiliate transactions). The Company was in compliance with its covenants with respect to the Convertible Notes as of June 30, 2026.

On November 16, 2024, Dyadic entered into an agreement with the Gates Foundation (the "Gates Foundation," formerly known as the Bill and Melinda Gates Foundation) relating to a grant in the amount of $3,092,136 awarded from the Gates Foundation for the cell line development of monoclonal antibodies targeting respiratory syncytial virus and malaria utilizing the Company's C1 platform to provide globally accessible treatment options for underserved populations (the "Gates Foundation Grant"). Funds received in advance that have not been spent are recorded as restricted cash in the Company's consolidated balance sheets. As of June 30, 2026, the Company had received the full amount of the Gates Foundation Grant.

On March 20, 2025, the Company received a funding award (the "CEPI Grant") from Coalition for Epidemic Preparedness ("CEPI") to advance Dyadic's C1 platform through a $4.5 million grant through Fondazione Biotecnopolo di Siena ("FBS") to accelerate recombinant protein vaccine development and manufacturing. The funding will support antigen design, cell line development, optimization, characterization, and scale-up to cGMP manufacturing. If successful, the next phase will focus on selecting a CEPI-priority pathogen antigen. Dyadic, as a subcontractor, will receive up to $2.4 million of the total grant funding.

On August 1, 2025, the Company completed an underwritten offering of 6,052,000 shares of the Company's common stock (the "Offering") pursuant to an underwriting agreement, dated July 30, 2025, between the Company and Craig-Hallum Capital Group LLC ("Craig-Hallum"). The public offering price in the Offering was $0.95 per share of common stock. The net proceeds to the Company from the Offering were approximately $4.9 million, after deducting legal expenses, underwriting discounts and commissions, and other offering expenses. The Company has been using the net proceeds of the Offering for working capital and general corporate purposes, such as product development, sales and marketing.

On March 6, 2026, the Company entered into an At-The-Market Issuance Sales Agreement (the "Sales Agreement") with Craig-Hallum as sales agent (the "Sales Agent"), pursuant to which the Company may offer and sell from time to time, at its option, shares of the Company's common stock having an aggregate offering price of up to $4,238,000 from time to time through the Sales Agent, including block trades and sales made in ordinary brokers' transactions directly on Nasdaq or any other trading market for the Company's common stock at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices (the "At-The-Market Equity Offering Program"). Subject to the terms and conditions of the Sales Agreement, the Sales Agent will use its commercially reasonable efforts to sell the shares of the Company's common stock from time to time, based upon the Company's instructions (including any price, time or size limits or other parameters or conditions the Company may impose), in exchange for a commission of up to 3.0% of the aggregate gross sale proceeds. The Company is not obligated to sell any shares of common stock under the Sales Agreement, and the Company or the Sales Agent may at any time suspend or terminate offerings of shares under the At-The-Market Equity Offering Program upon notice to the other party and subject to other conditions. As of the date of this Quarterly Report, no shares have been sold under the Sales Agreement.

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements, including the accounts of the Company and its wholly owned subsidiaries, have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as found in the Accounting Standards Codification ("ASC"), Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and footnote disclosures normally included in consolidated financial statements have been condensed or omitted pursuant to such rules and regulations. All significant intra-entity transactions and balances have been eliminated in consolidation. The information included in this Quarterly Report should be read in conjunction with the audited consolidated financial statements and footnotes as of and for the year ended December 31, 2025, included in our Annual Report.

In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments, which are of a normal recurring nature, considered necessary for a fair presentation of all periods presented. The results of the Company's operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

Segment Information

Operating segments are defined as components of an entity about which separate discrete information is available for evaluation by the chief operating decision maker, or CODM, in deciding how to allocate resources and in assessing performance. The CODM is the Company's senior management team that includes the Chief Executive Officer, President & Chief Operating Officer, and Chief Financial Officer. The Company views its operations as and manages its business in one operating segment, which is the business of developing and commercializing recombinant protein products using the Company's proprietary microbial platforms, including Dapibus™ and C1. Segment information is further described in Note 8 to the consolidated financial statements included in this Quarterly Report on Form 10-Q.

Use of Estimates

The preparation of these consolidated financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amount of assets and liabilities and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the applicable period. Estimates inherent in the preparation of these consolidated financial statements include, but are not limited to, estimates related to revenue recognition, accrued expenses, stock-based compensation expense, warrants, and income taxes. The Company bases its estimates on historical experience and other market specific or other relevant assumptions it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates as there are changes in circumstances, facts, and experience. Actual results may differ from these estimates under different assumptions or conditions. Such differences could be material to the consolidated financial statements.

Concentrations and Credit Risk

The Company's financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash and cash equivalents, investment securities, and accounts receivable. At times, the Company has cash, cash equivalents, and investment securities at financial institutions exceeding the Federal Depository Insurance Company ("FDIC") and the Securities Investor Protection Corporation ("SIPC") insured limit on domestic currency and the Netherlands' FDIC counterpart for foreign currency. The Company currently deals with four reputable financial institutions and has not experienced any losses in those accounts.

For the three months ended June 30, 2026 and 2025, the Company's revenue was generated from eight customers respectively. For each of the six months ended June 30, 2026 and 2025, the Company's revenue was generated from eleven and ten customers, respectively. Significant customers are those that account for greater than 10% of the Company's revenue. For the three months ended June 30, 2026 and 2025, two and three significant customers accounted for $917,932 or 95.5% and $794,615 or 58.4% of revenue, respectively. For the six months ended June 30, 2026 and 2025, three and four significant customers accounted for $1,678,299 or 81.0% and $1,101,653 or 80.9% of revenue, respectively. As of June 30, 2026, and December 31, 2025, accounts receivable was from seven and four customers, of which, one and two customers accounted for $1,023,529 or 78.6% and $916,953 or 84.1% of total accounts receivable, respectively. The loss of business from one or a combination of the Company's customers could adversely affect its operations.

The Company conducts operations in the Netherlands through its foreign subsidiary and generates a portion of its revenue from customers that are located outside of the United States. For each of the three months ended June 30, 2026 and 2025, the Company had five customers outside of the United States (i.e., European and African customers) that accounted for $709,245 or 73.8% and $63,560 or 6.6% of revenue, respectively. For each of the six months ended June 30, 2026 and 2025, the Company had four customers outside of the United States (i.e., European and African customers) that accounted for $1,015,383 or 49.0% and $111,893 or 8.2% of revenue, respectively.

As of June 30, 2026 and December 31, 2025, the Company had five and two customers outside of the United States (i.e., European and African customers) that accounted for $1,214,940 or 93.3% and $916,953 or 84.1% of accounts receivable, respectively.

The Company uses several contract research organizations ("CROs") to conduct its research projects. For each of the three months ended June 30, 2026 and 2025, two CROs accounted for $517,282 or 78.9% and $880,020 or 91.1% of total research services we purchased, respectively. For each of the six months ended June 30, 2026 and 2025, two CROs accounted for $1,168,985 or 69.5% and $1,363,447 or 85.9% of total research services we purchased, respectively. As of June 30, 2026 and December 31, 2025, one and two CROs accounted for $423,438 or 51.9% and $571,149 or 67.0% of accounts payable, respectively. The loss of one CRO or a combination of the Company's CROs could adversely affect its operations.

Cash and Cash Equivalents

We treat highly liquid investments with original maturities of three months or less when purchased as cash equivalents, including money market funds, which are unrestricted for withdrawal or use.

Investment Securities

The Company's investment policy requires investment securities to be investment grade and held to maturity with the primary objective to maintain a high degree of liquidity while maximizing yield. The Company invests excess cash balances in short-term and long-term investment grade securities. Short-term investment securities mature within twelve (12) months or less, and long-term investment securities mature over twelve (12) months from the applicable reporting date. Management determines the appropriate classification of each investment at the time of purchase and reevaluates the classifications at each balance sheet date.

The Company classifies its investments in debt securities as held-to-maturity. Held-to-maturity securities are those securities that the Company has the ability and intent to hold until maturity. Held-to-maturity securities are recorded at amortized cost, net of allowance for credit losses if applicable, and adjusted for the amortization or accretion of premiums or discounts. Premiums and discounts are amortized over the life of the related held-to-maturity security. When a debt security is purchased at a premium, both the face value of the debt and premium amount are reflected as investing outflow.

When evaluating an investment for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates, and whether it is more likely than not the Company will be required to sell the investment before recovery of the investment's cost basis. The Company measures expected credit losses on held to maturity debt securities on an individual security basis. The estimate of expected credit losses considers historical credit information from external sources. The impairment of the investment that is related to the credit loss, if any, is expensed in the period in which the event or change occurred.

The Company classifies its investments in money market funds as available-for-sale securities and presented as cash equivalents on the consolidated balance sheets. As of June 30, 2026 and December 31, 2025, all our money market funds were invested in U.S. Government money market funds, for which the risk of loss is minimal.

As of June 30, 2026, and December 31, 2025, the Company did not have any investment securities classified as trading.

Restricted Cash

Restricted cash represents amounts subject to restrictions under an agreement with the Gates Foundation. These funds may need to be refunded and are limited to use as specified in the agreement. The restrictions on these funds lapse as the Company fulfills its obligations under the agreement. Amounts expected to be used within the next twelve (12) months are classified as current.

Accounts Receivable

Accounts receivable consists of billed receivables currently due from customers and unbilled receivables. Unbilled receivables represent the excess of contract revenue (or amounts reimbursable under contracts) over billings to date. Such amounts become billable in accordance with the contract terms, which usually consider the passage of time, achievement of certain milestones or completion of the project.

Accounts receivable are stated net of an allowance for credit losses, if deemed necessary based on the Company's evaluation of collectability and potential credit losses. Management assesses the collectability of its accounts receivable using the specific identification of account balances and considers the credit quality and financial condition of its significant customers, historical information regarding credit losses and the Company's evaluation of current and expected future economic conditions and changes in our customer collection trends. If necessary, an allowance for credit losses is recorded against accounts receivable such that the carrying value of accounts receivable reflects the net amount expected to be collected. Accounts receivable balances are written off against the allowance for credit losses when the potential for collectability is considered remote. Substantially all of our accounts receivable were current and include unbilled amounts that will be billed and collected over the next twelve (12) months. Management determined that no allowance for credit losses was required as of June 30, 2026, and December 31, 2025.

Accounts receivable consists of the following:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Billed receivable	$ 280,167	$ 487,741
Unbilled receivable	1,022,272	602,556
	$ 1,302,439	$ 1,090,297

Accounts Payable

Accounts payable consist of the following:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Research and development expenses	$ 467,243	$ 627,063
Legal and professional expenses	219,970	133,724
Other	128,846	91,237
	$ 816,059	$ 852,024

Accrued Expenses

Accrued expenses consist of the following:

		June 30, 2026		December 31, 2025
		(Unaudited)		(Audited)
Research and development expenses	$	986,346	$	493,992
Employee wages and benefits		362,834		395,459
Legal expenses		40,000		78,523
Other		6,500		—
	$	1,395,680	$	967,974

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of debt instruments and equity financings. Deferred financing costs related to the issuance of debt are amortized over the term of the financing instrument using the effective interest method and are presented in the consolidated balance sheets as an offset against the related debt. Offering costs from equity financings are netted against the gross proceeds received from the equity financings. See Note 4 for the amortization amount.

Revenue Recognition

The Company has launched an initial portfolio of research-use-only products for direct sales. Early-stage manufacturing is ongoing and initial shipments of product samples for evaluation and qualification purposes to distribution partners are underway. The Company also participates in the commercialization of products developed and launched by third-party collaborators, from which it is entitled to a share of revenue or profits.

As of June 30, 2026, the Company has not recognized any revenue from product sales. All our revenue to date has been research revenue from third-party collaborations and grants, as well as revenue from sublicensing agreements and collaborative arrangements, which may include upfront payments, options to obtain a license, payment for research and development services, milestone payments and royalties, in the form of cash or non-cash considerations (e.g., minority equity interest).

Revenue related to research collaborations and agreements: The Company typically performs research and development services as specified in each respective agreement on a best-efforts basis, and recognizes revenue from research funding under collaboration agreements in accordance with the 5-step process outlined in ASC Topic 606 ("Topic 606"): (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We recognize revenue when we satisfy a performance obligation by transferring control of the service to a customer in an amount that reflects the consideration that we expect to receive. Depending on how the performance obligation under our license and collaboration agreements is satisfied, we recognize the revenue either at a point in time or over time by using the input method under Topic 606 to measure the progress toward complete satisfaction of a performance obligation.

Under the input method, revenue will be recognized based on the entity's efforts or inputs to the satisfaction of a performance obligation (e.g., resources consumed, labor hours expended, costs incurred, or time elapsed) relative to the total expected inputs to the satisfaction of that performance obligation. The Company believes that the cost-based input method is the best measure of progress to reflect how the Company transfers its performance obligation to a customer. In applying the cost-based input method of revenue recognition, the Company uses actual costs incurred relative to budgeted costs to fulfil the performance obligation. These costs consist primarily of full-time equivalent effort and third-party contract costs. Revenue will be recognized based on actual costs incurred as a percentage of total budgeted costs as the Company completes its performance obligations.

A cost-based input method of revenue recognition requires management to make estimates of costs to complete the Company's performance obligations. In making such estimates, significant judgment is required to evaluate assumptions related to cost estimates. The cumulative effect of revisions to estimated costs to complete the Company's performance obligations will be recorded in the period in which changes are identified, and amounts can be reasonably estimated. A significant change in these assumptions and estimates could have a material impact on the timing and amount of revenue recognized in future periods.

Revenue related to grants: The Company receives grants from governments, agencies, and other private and not-for-profit organizations. These grants are intended to be used to partially or fully fund the Company's research collaborations. However, most, if not all, of such potential grant revenue, when received, is expected to be earmarked for third parties to advance the research required, including preclinical and clinical trials. Revenue related to grants is presented on a gross basis on the Consolidated Statements of Operations.

Revenue related to sublicensing agreements: If the sublicense to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenue allocated to the license when technology is transferred to the customer and the customer can use and benefit from the license.

Customer options: If the sublicensing agreement includes customer options to purchase additional goods or services, the Company will evaluate if such options are considered material rights to be deemed as separate performance obligations at the inception of each arrangement.

Milestone payments: At the inception of each arrangement that includes development, commercialization, and regulatory milestone payments, the Company evaluates whether the achievement of the milestones is considered probable and estimates the amount to be included in the transaction price. If the milestone payment is in exchange for a sublicense and is based on the sublicensee's subsequent sale of the product, the Company recognizes milestone payment by applying the accounting guidance for royalties.

Royalties: With respect to licenses deemed to be the predominant item to which the sales-based royalties relate, including milestone payments based on the level of sales, the Company recognizes revenue at the later of (i) when the related sales occur or (ii) when the performance obligation to which some or all of the royalty relates has been satisfied (or partially satisfied). To date, the Company has not recognized any royalty revenue resulting from any of its sublicensing arrangements.

We invoice customers based on our contractual arrangements with each customer, which may not be consistent with the period that revenue is recognized. When there is a timing difference between when we invoice customers and when revenue is recognized, we record either a contract asset (unbilled accounts receivable) or a contract liability (deferred research and development obligations), as appropriate. If upfront fees or considerations related to a sublicensing agreement are received prior to the technology transfer, the Company will record the amount received as deferred revenue from the licensing agreement.

Research and Development Costs

Research and development ("R&D") costs are expensed as incurred. R&D costs are for the Company's internally funded pharmaceutical programs and other governmental and commercial projects.

Research and development costs consist of personnel-related costs, facilities, research-related overhead, services from independent contract research organizations, and other external costs. Research and development costs, for the three and six months ended June 30, 2026 and 2025 were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026		2025		2026		2025	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Outside contracted services	$	174,568	$	486,585	$	517,289	$	842,841
Personnel related costs		157,757		124,669		271,792		246,385
Facilities, overhead and other		296		18,125		19,609		35,132
	$	332,621	$	629,379	$	808,690	$	1,124,358

Foreign Currency Transaction Gain or Loss

The Company and its foreign subsidiary use the U.S. dollar as its functional currency and initially measure the foreign currency denominated assets and liabilities at the transaction date. Monetary assets and liabilities are then re-measured at exchange rates in effect at the end of each period, and property and non-monetary assets and liabilities are carried at historical rates.

Fair Value Measurements

The Company applies fair value accounting for certain financial instruments that are recognized or disclosed at fair value in the financial statements. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company's financial instruments included cash, cash equivalents, restricted cash and cash equivalents, investment in debt securities, accounts receivable, accounts payable and accrued expenses, accrued payroll and related liabilities, deferred research and development obligations, deposits, warrants, and the Company's 8% Senior Secured Convertible Promissory Notes (the "Convertible Notes"), due December 2027. The carrying amount of these financial instruments, except for warrants and investment in debt securities and Convertible Notes, approximates fair value due to the short-term maturities of these instruments. The Company's short-term and long-term investments in debt securities are recorded at amortized cost, and their estimated fair value amounts are provided by the third-party broker service for disclosure purposes. See Note 4 for additional information related to the Convertible Notes and Note 6 for warrants.

Income Taxes

For the six months ended June 30, 2026, there was no provision for income taxes or unrecognized tax benefits recorded. As of June 30, 2026 and December 31, 2025, deferred tax assets were $17.9 million and $19.0 million, respectively. Due to the Company's history of operating losses and the uncertainty regarding our ability to generate taxable income in the future, the Company has established a 100% valuation allowance against deferred tax assets as of June 30, 2026 and December 31, 2025.

Stock-Based Compensation

We recognize all share-based payments to employees, consultants, and our Board of Directors (the "Board"), as non-cash compensation expense, in research and development expenses or general and administrative expenses in the consolidated statements of operations based on the grant date fair values of such payments. Stock-based compensation expense recognized each period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Forfeitures are recorded as they occur.

For performance-based awards, the Company recognizes related stock-based compensation expenses based upon its determination of the potential likelihood of achievement of the specified performance conditions at each reporting date.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common stock shares outstanding during the reporting period. Diluted net loss per share adjusts the weighted average number of common stock shares outstanding for the potential dilution that could occur if common stock equivalents, such as stock options, were exercised and converted into common stock, calculated by applying the treasury stock method.

For the three and six months ended June 30, 2026, a total of 5,447,697 shares of potentially dilutive securities, including 189,682 shares of unvested restricted stock units, stock options to purchase 4,955,415 shares of common stock, and stock warrants to purchase 302,600 shares of common stock, were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive. For the three and six months ended June 30, 2025, a total of 6,064,253 shares of potentially dilutive securities, including 96,984 shares of unvested restricted stock units and options to purchase 5,999,597 shares of common stock, were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive.

Recently Adopted Accounting Pronouncements as of June 30, 2026

In July 2025, the FASB issued ASU 2025-05, Measurement of Credit Losses for Accounts Receivable and Contract Assets ("ASU 2025-05"). ASU 2025-05 provides entities with a practical expedient to simplify the estimation of expected credit losses on current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606, Revenue from Contracts with Customers ("ASC 606") by allowing the assumption that current conditions as of the balance sheet date will not change during the remaining life of the asset. The Company adopted ASU 2025-05 for the quarter ended March 31, 2026, and explicitly elected the practical expedient to assume that current conditions remain unchanged. The adoption of ASU 2025-05 does not have any material impact on the Company's results of operations, financial position or liquidity or its related financial statement disclosures.

New Accounting Pronouncements as of June 30, 2026

In November 2024, the FASB issued ASU 2024-03 – Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40)

("ASU 2024-03"). ASU 2024-03 enhances the disclosures about an entity's expenses by requiring more detailed information about the types of expenses in commonly presented expense captions. ASU 2024-03 is effective for annual periods beginning after December 15, 2026 and interim periods beginning after December 15, 2027. The Company is currently evaluating the impact of ASU 2024-03 on its consolidated financial statements and related disclosures.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements ("ASU 2025-11"). ASU 2025-11 clarifies and reorganizes existing interim reporting guidance, including the scope of Topic 270 and interim disclosure requirements, and introduces a disclosure principle requiring entities to disclose material events or changes occurring since the most recent annual reporting period. ASU 2025-11 is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2025-11 on its consolidated financial statements and related disclosures.

Other recent authoritative guidance issued by the FASB (including technical corrections to the Accounting Standards Codification) and the SEC did not or are not expected to have a material effect on the Company's consolidated financial statements or related disclosures.

Note 2: Cash, Cash Equivalents, and Investments

The Company's investments in debt securities are classified as held-to-maturity and are recorded at amortized cost, net of allowance for credit losses, and its investments in money market funds are classified as available-for-sale securities and presented as cash equivalents or restricted cash on the consolidated balance sheets. The following table shows the Company's cash, available-for-sale securities, and investment securities by major security type as of June 30, 2026, and December 31, 2025:

	June 30, 2026 (Unaudited)					
	Level (1)	**Fair Value**	**Allowance for Credit Losses**	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses**	**Adjusted Cost**
Assets:						
Cash deposit	1	$ 846,081	$ —	$ —	$ —	$ 846,081
Money market funds (2)	1	2,134,932	—	—	—	2,134,932
Short-term investment in corporate bonds (3)(5)(6)	2	1,687,453	—	—	(902)	1,688,355
Long-term investment in corporate bonds (4)(5)(6)	2	109,071	—	—	(345)	109,416
Total financial assets		$ 4,777,537	$ —	$ —	$ (1,247)	$ 4,778,784
Reconciliation to cash, cash equivalents and investments on condensed consolidated balance sheet						
Minus: Restricted cash						(1,555,649)
Total cash, cash equivalents and investments						$ 3,223,135

	December 31, 2025 (Audited)					
	Level (1)	**Fair Value**	**Allowance for Credit Losses**	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses**	**Adjusted Cost**
Assets:						
Cash deposits	1	$ 143,752	$ —	$ —	$ —	$ 143,752
Money market funds (2)	1	5,709,747	—	—	—	5,709,747
Short-term investment in corporate bonds (3)(5)(6)	2	2,700,344	—	1,973	(290)	2,698,661
Total financial assets		$ 8,553,843	$ —	$ 1,973	$ (290)	$ 8,552,160
Reconciliation to cash, cash equivalents and investments on condensed consolidated balance sheet						
Minus: Restricted cash						(1,231,168)
Total cash, cash equivalents and investments						$ 7,320,992

Notes:

(1) Definition of the three-level fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Other inputs that are directly or indirectly observable in the markets
- Level 3 - Inputs that are generally unobservable

(2) All our money market funds were invested in U.S. Government money market funds.
(3) Short-term investment securities will mature within 12 months or less, from the applicable reporting date.
(4) Long-term investment securities will mature between 12 months and 18 months from the applicable reporting date.
(5) For the three months ended June 30, 2026 and 2025, the Company received discounts of $4,117 and $9,618 to purchase held-to-maturity investment securities, respectively. For the six months ended June 30, 2026 and 2025, the Company received discounts of $8,570 and $15,722 to purchase held-to-maturity investment securities, respectively. For the year ended December 31, 2025, the Company received discounts of $63,096 to purchase held-to-maturity investment securities.
(6) The Company's held-to-maturity corporate bonds are evaluated quarterly for expected credit losses using a model based on credit ratings and historical risk of default. As of June 30, 2026 and December 31, 2025, based on the high credit quality of the issuers and macroeconomic conditions, the calculated allowance for expected credit losses was immaterial. Accordingly, no allowance for credit losses was recorded against the amortized cost basis of the investments.

Note 3: Research and Collaboration Agreements, Sublicense Agreements, and Investments in Privately Held Companies

Gates Foundation Grant

In November 2024, the Company was awarded the Gates Foundation Grant in the amount of $3,092,136 for the cell line development of monoclonal antibodies targeting respiratory syncytial virus and malaria utilizing the Company's C1 platform to provide globally accessible treatment options for underserved populations (the "Gates Foundation Grant").

The Company is required to apply the funds it receives under the agreements solely toward direct costs for the applicable funded projects, other than less than 15% of such funds, which may apply toward general overhead and administrative expenses that support the entire operations of the Company. The Company receives funding in advance and tracks and reports eligible expenses incurred to the Gates Foundation. Funds received in advance that have not been spent are recorded as restricted cash and cash equivalents and as deferred research and development obligations in the Company's consolidated balance sheets. As the Company incurs costs associated with research and development related to the project, on a monthly basis, the Company reclasses amounts from the grant to recognize grant revenue and cost of grant revenue. The deferred research and development obligations also include grant funds spent but not yet expensed in accordance with GAAP. The grant agreements include the Gates Foundation's discretionary termination provisions. Any grant funds that have not been used or committed to the funded project must be returned promptly to the Gates Foundation upon expiration or termination of the agreement.

For the three and six months ended June 30, 2026, the Company recognized grant revenue of $253,186 and $506,154, respectively, and corresponding cost of grant revenue of $229,977 and $460,596, respectively, in connection with the Gates Foundation Grant.

As of June 30, 2026, the Company had received the full Gates Foundation Grant of $3,092,136, of which, $1,555,649 was recorded as restricted cash and $1,555,649 as deferred research and development obligations. The remaining grant funds will be recognized as grant revenue as qualifying costs are incurred under the grant agreement.

Coalition for Epidemic Preparedness Innovations (CEPI) Grant

On March 20, 2025, the Company received a funding award from CEPI to advance Dyadic's C1 platform through a $4.5 million grant through Fondazione Biotecnopolo di Siena ("FBS") to accelerate recombinant protein vaccine development and manufacturing. The funding will support antigen design, cell line development, optimization, characterization, and scale-up to cGMP manufacturing. If successful, the next phase will focus on selecting a CEPI-priority pathogen antigen. Dyadic, as a subcontractor, will receive up to $2,432,756 of the total grant funding. The Company will be reimbursed for research and development expenses in arrears on a quarterly basis. As of June 30, 2026, the Company has an account receivable of $991,607 related to the CEPI Grant.

For the three and six months ended June 30, 2026, the Company recognized grant revenue of $584,066 and $818,464, respectively, and corresponding cost of grant revenue of $630,866 and $851,929, respectively, in connection with the CEPI Grant.

Proliant

On June 27, 2024, the Company entered into a License and Development Agreement (the "Proliant Agreement") with Proliant Biologicals, LLC d/b/a Proliant Health and Biologicals ("Proliant"), pursuant to which, Proliant will license Dyadic's proprietary fungal microbial expression and production platforms and microbial strains for the production of recombinant serum albumin, for an initial period of 10 years with an option to extend for an additional 3 years under certain circumstances. Under the terms of the Proliant Agreement, Dyadic has received an initial upfront payment of $500,000 and a second payment of $500,000 upon the completion of the transfer of a Production Strain (as defined in the Proliant Agreement) for the year ended December 31, 2025.

On October 14, 2025, the Company achieved the productivity threshold and received the final milestone payment of $500,000 under the Proliant Agreement, which is required to be reinvested to support further commercialization of the product.

As of December 31, 2025, the Company has recognized $227,000 of research and development revenue and $142,300 of costs related to this milestone, with the remaining $273,000 recorded as deferred revenue. For the three and six months ended June 30, 2026, the Company recognized revenue of $0 and $273,000, respectively, and cost of revenue of $0 and $253,000, respectively, associated with the Proliant Agreement.

Upon commencing commercial sales of animal-free recombinant serum albumin products, the Company anticipates receiving royalties in 2026, based on a specified percentage of the gross margin received by Proliant as defined in the Proliant Agreement.

Inzymes ApS

On September 18, 2023, Dyadic International (USA) Inc., a subsidiary of the Company, signed a Development and Exclusive License Agreement (the "Inzymes Agreement") with Inzymes ApS ("Inzymes"), a Denmark corporation, to develop and commercialize certain non-animal dairy enzymes used in the production of food products using Dyadic's proprietary Dapibus™ platform. In October 2023, the Company received an upfront payment of $0.6 million in accordance with the terms of the Inzymes Agreement.

On October 11, 2024, the Inzymes Agreement was amended ("the Amended Inzymes Agreement") to change the scope of research and development services required under the agreement as well as adjust the success fees upon the achievement of certain target yields, milestone payments upon first commercial sale of each product and royalties.

For the year ended December 31, 2024, the Company has completed all product research and development services and satisfied all related performance obligations under the Amended Inzymes Agreement, and recognized $890,169 in license revenue, including success fees upon the achievement of target yield of one related product. For the year ended December 31, 2025, the Company also recognized research and development revenue of $25,000 related to the Amended Inzymes Agreement.

In June 2025, the Company recognized milestone revenue of $250,000 upon the achievement of commercially viable target yield related to the Inzymes Agreement.

In February 2026, final development activities for the first recombinant non-animal product were completed and the first commercial sale was achieved. Upon achievement of this milestone, the Company received and recognized a $200,000 milestone payment as revenue in the first quarter of 2026. There was no revenue recognized in the second quarter of 2026. The Company is also eligible to receive royalties on future sales. The Company anticipates another milestone payment from a second product during the remainder of 2026.

Note 4: Convertible Notes Payable

On March 8, 2024, the Company issued an aggregate principal amount of $6,000,000 of its 8.0% Senior Secured Convertible Promissory Notes (the "Convertible Notes") in a private placement. The purchasers of the Convertible Notes included immediate family members and family trusts related to Mark Emalfarb, our President and Chief Executive Officer and a member of our Board of Directors, including The Francisco Trust, an existing holder of more than 5% of the Company's outstanding common stock (collectively, the "Purchasers"). The net proceeds from the sale of Convertible Notes, after deducting offering expenses, were $5,824,326. The Company intends to use the net proceeds from the offering of the Convertible Notes for working capital and general corporate purposes.

The Convertible Notes are senior, secured obligations of Dyadic and its affiliates, and interest is payable quarterly in cash on the principal amount equal to 8% per annum. The Convertible Notes, as amended, will mature on December 31, 2027 (the "Maturity Date"), unless earlier converted, repurchased, or redeemed in accordance with the terms of the Convertible Notes. The Convertible Notes can be converted into shares of common stock, at the option of the holders of the Convertible Notes (the "Noteholders") at any time prior to the Maturity Date.

The Convertible Notes are secured by a first priority lien on substantially all assets of the Company and Dyadic International (USA), Inc.

The Convertible Notes are accounted for in accordance with ASC 470-20, Debt with Conversion and Other Options and ASC 815-15, Derivatives and Hedging. Under ASC 815, contracts that are both indexed to its own stock and classified in stockholders' equity in its statement of financial position are not considered to be derivative instruments. Based on the Company's analysis, it is determined that the Convertible Notes contain embedded features that are indexed to the Company's own stock and are classified in stockholders' equity in the Company's statement of financial position, but do not meet the requirements for bifurcation and recognition as derivatives, and therefore, do not need to be accounted for separately. Accordingly, the proceeds received from the issuance of the Convertible Notes were recorded as a single liability in accordance with ASC 470 on the Company's consolidated balance sheets.

The Company incurred $175,674 of debt issuance costs associated with the Convertible Notes, which were recorded as a reduction of the Convertible Notes on the consolidated balance sheets. The debt issuance costs are being amortized and recognized as additional interest expense over the expected life of the Convertible Notes using the effective interest method. We determined that the expected life of the debt is equal to the three-year term of the Convertible Notes.

On October 4, 2024, the Company entered into an amendment (the "Amendment") to the Convertible Notes. Under the Amendment, (i) the conversion price at which the Convertible Notes are convertible into shares of the Company's common stock was set at $1.40 per share, and (ii) the Redemption Date (as defined in the Amendment) was extended to any of the 26, 29 and 32-month anniversaries of the original issue date of the Convertible Notes.

During the year ended December 31, 2024, $910,000 of the Convertible Notes were converted into 556,623 shares of the Company's common stock.

On May 1, 2025, the Company amended the Convertible Notes to extend the Redemption Date (as defined in the Convertible Notes) to December 1, 2026.

On September 15, 2025, the Company amended the security agreement to reflect updates to the Secured Parties (as defined in the Security Agreement) thereunder, including the addition of a trust for the benefit of the Company's Chief Executive Officer, Mark Emalfarb, as a result of his purchase and assignment to him of one of the Notes from an existing note holder in a principal amount of $1,000,000.

On December 23, 2025, the Company entered into an additional amendment to the Convertible Notes, pursuant to which (i) the Maturity Date (as defined in the Convertible Notes) was extended from March 8, 2027 to December 31, 2027, (ii) the conversion price at which the Convertible Notes are convertible into shares of the Company's common stock was set at $1.05 per share of common stock, and (iii) except in the case of an Event of Default (as defined in the Convertible Notes), the holders no longer have the right to elect to have the Company redeem all, or any part, of the principal amount then remaining under the Convertible Notes.

The Company assessed each of the Amendments for a debt extinguishment or modification in accordance with ASC 470-50. As both the changes in the present value of future cash flows of the modified Convertible Notes to that of the original Convertible Notes (including callable features) and the change in fair value of the embedded conversion option to that of the carrying value of the Convertible Notes immediately before modification resulted in a less than 10% change, none of the Amendments were deemed substantial and they are regarded as note modifications. The Company did not incur any gain or loss relating to the modifications and any incremental costs, including legal fees, related to the Amendments were expensed.

For the three and six months ended June 30, 2026, interest of $101,800 and $203,600 were paid, and debt issuance costs of $7,585 and $14,966 were amortized and recorded in interest expenses in the consolidated statements of operations, respectively.

For the three and six months ended June 30, 2025, interest of $101,800 and $208,973 were paid, and debt issuance costs of $12,033 and $23,794 were amortized and recorded in interest expenses in the consolidated statements of operations, respectively.

As of June 30, 2026, accrued interest on the Convertible Notes totaled $41,800 for related parties and $60,000 for other third parties, respectively. As of June 30, 2025, accrued interest on the Convertible Notes was $21,800 for related parties and $80,000 for other third parties, respectively. As of June 30, 2026 and 2025, accumulated amortized debt issuance costs were $124,209 and $60,171, respectively.

As of June 30, 2026, convertible notes payable consisted of the following:

Holder	Issuance Date	Due Date	Interest Rate	Convertible Note Principal	Principal Repayments	Conversion to Common Stock	Principal Outstanding
Mark A. Emalfarb Trust (1)	09/15/25	12/31/27	8%	1,000,000	—	—	1,000,000
Francisco Trust dated 2/28/1996 (2)	03/08/24	12/31/27	8%	1,000,000	—	—	1,000,000
Bradley Emalfarb (3)	03/08/24	12/31/27	8%	500,000	—	(500,000)	—
Bradley Scott Emalfarb Irrevocable Trust (3)	03/08/24	12/31/27	8%	410,000	—	(410,000)	—
Emalfarb Descendent Trust (4)	03/08/24	12/31/27	8%	90,000	—	—	90,000
Convertible Notes - Related Party				**$ 3,000,000**	**$ —**	**$ (910,000)**	**2,090,000**
Unamortized Debt Issuance Costs - Related Party							(20,115)
Net Carrying Amount							**$ 2,069,885**
Convertible Notes - Third Party (1)	03/08/24	12/31/27	8%	**$ 3,000,000**	**$ —**	**$ —**	**3,000,000**
Unamortized Debt Issuance Costs - Third Party							(28,875)
Net Carrying Amount							**$ 2,971,125**

Notes:

(1) On September 15, 2025, Mark A. Emalfarb Trust dated October 1, 1987, as amended and restated on June 28, 2019 (the "MAE Trust"), purchased and was assigned $1,000,000 of the Convertible Notes from an existing note holder. Mr. Mark A. Emalfarb, our Chief Executive Officer, is the sole beneficiary and serves as sole trustee of the MAE Trust and has sole voting and dispositive power over the shares of common stock held by the MAE Trust. As of June 30, 2026, the amount of accrued interest for the MAE Trust

was $20,000.

(2) Mr. Thomas Emalfarb, nephew of Mr. Mark A. Emalfarb, our Chief Executive Officer, is the trustee of the Francisco Trust. Mr. Thomas Emalfarb may be deemed to have voting, dispositive and investment power with respect to the shares of common stock held by the Francisco Trust and disclaims any such beneficial ownership other than to the extent of any pecuniary interest he may have therein, directly or indirectly. As of June 30, 2026, the amount of accrued interest for the Francisco Trust was $20,000.

(3) Mr. Mark A. Emalfarb, our Chief Executive Officer, is the trustee of the Irrevocable Trust and the brother of Mr. Bradley S. Emalfarb, who is the sole beneficiary of the Irrevocable Trust. Mr. Bradley S. Emalfarb, as sole beneficiary of the Irrevocable Trust, therefore, may be deemed to have voting, dispositive and investment power with respect to the shares of common stock held by the Irrevocable Trust and disclaims any such beneficial ownership other than to the extent of any pecuniary interest he may have therein, directly or indirectly. In 2024, $500,000 of the Convertible Notes held by Mr. Bradley S. Emalfarb were converted into 294,891 shares of the Company's common stock and $410,000 of the Convertible Notes held by Bradley Scott Emalfarb Irrevocable Trust were converted into 261,732 shares of the Company's common stock. As of June 30, 2026, there was no accrued interest for Bradley Emalfarb and Bradley Scott Emalfarb Irrevocable Trust.

(4) Messrs. Thomas Emalfarb, Scott Emalfarb and Michael Emalfarb, nephews of Mr. Mark A. Emalfarb, our Chief Executive Officer, are co-trustees of the Emalfarb Descendant Trust and may therefore be deemed to have shared voting, dispositive and investment power over the shares of common stock held by the Emalfarb Descendant Trust. As of June 30, 2026, the amount of accrued interest for the Emalfarb Descendant Trust was $1,800.

The Convertible Notes contain customary covenants, and the Securities Purchase Agreement relating to the Convertible Notes also contains certain affirmative and negative covenants (including, without limitation, restrictions on our ability to incur indebtedness, permit liens, make dividends or certain debt payments or consummate certain affiliate transactions). The Company was in compliance with its covenants with respect to the Convertible Notes as of June 30, 2026.

Note 5: Commitments and Contingencies

Legal Proceedings

From time to time, the Company is subject to legal proceedings, asserted claims and investigations in the ordinary course of business, including commercial claims, employment and other matters, which management considers immaterial, individually and in the aggregate. The Company is not currently involved in any litigation that it believes could have a materially adverse effect on our financial condition or results of operations. The Company makes a provision for a liability when it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated. The requirement for these provisions is reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable and costly. Protracted litigation and/or an unfavorable resolution of one or more proceedings, claims or investigations against the Company could have a material adverse effect on the Company's consolidated financial position, cash flows or results of operations.

Note 6: Share-Based Compensation

Description of Equity Plans

The 2021 Equity Incentive Award Plan (the "2021 Plan") was adopted by the Company's Board of Directors on April 9, 2021 and approved by the Company's Annual Meeting of Shareholders (the "Annual Meeting") on June 11, 2021. The 2021 Plan serves as a successor to the Company's 2011 Equity Incentive Plan (the "2011 Plan"). Since the adoption of the 2021 Plan, all equity awards were made from the 2021 Plan, and no additional awards will be granted under the 2011 Plan. The 2021 Plan provides for the issuance of a variety of share-based compensation awards, including stock options, restricted stock awards, restricted stock unit awards, performance awards, dividend equivalents awards, deferred stock awards, stock payment awards and stock appreciation rights. As of the effective date of the 2021 Plan, the number of shares authorized for issuance under the 2021 Plan was increased by 3,000,000 shares, in addition to any shares remaining available for grant under the 2011 Plan.

As of June 30, 2026, the Company had 4,955,415 stock options outstanding and 189,682 unvested restricted stock units in addition to 2,216,508 shares of common stock available for grant under the 2021 Plan. As of December 31, 2025, the Company had 5,362,722 stock options outstanding and 64,656 unvested restricted stock units, in addition to 2,208,257 shares of common stock available for grant under the 2021 Plan.

Stock Options

Options are granted to purchase common stock at prices that are equal to the fair value of the common stock on the date the option is granted. Vesting is determined by the Board of Directors at the time of grant. The term of any stock option awards under the Company's 2011 Plan and 2021 Plan is ten years, except for certain options granted to the contractors, which are two to five years.

The grant-date fair value of each option grant is estimated using the Black-Scholes option pricing model and amortized on a straight-line basis over the requisite service period, which is generally the vesting period, for each separately vesting portion of the award as if the award was, in substance, multiple awards. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs, including the following.

Risk-free interest rate. The risk-free interest rate is based on U.S. Treasury rates with securities approximating the expected lives of options at the date of grant.

Expected dividend yield. The expected dividend yield is zero, as the Company has never paid dividends to common shareholders and does not currently anticipate paying any in the foreseeable future.

Expected stock price volatility. The expected stock price volatility was calculated based on the Company's own volatility. The Company reviews its volatility assumption on an annual basis.

Expected life of option. The expected life of option was based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. The Company uses the weighted average vesting period and contractual term of the option as the best estimate of the expected life of a new option.

The assumptions used in the Black-Scholes option pricing model for stock options granted for the six months ended June 30, 2026, are as follows:

Risk-free interest rate	3.8% - 3.9%
Expected dividend yield	—%
Expected stock price volatility	72.2-76.5%
Expected life of options (in years)	5.5-6.3

The following table summarizes the stock option activities for the six months ended June 30, 2026:

Weighted-Average Remaining

	Shares		Weighted-Average Exercise Price	Contractual Term (Years)		Aggregate Intrinsic Value
Outstanding at December 31, 2025	5,362,722	$	2.83	4.73	$	—
Granted (1)	516,250		0.94			
Exercised	—		—			
Expired (2)	(923,557)		2.42			
Cancelled	—		—			
Outstanding at June 30, 2026	4,955,415	$	2.71	5.60	$	—
Exercisable at June 30, 2026	3,888,528	$	3.10	4.77	$	—

Notes:

(1) Options granted:

- Annual share-based compensation awards on January 2, 2026, with an exercise price of $0.94, including: (a) 287,750 stock options granted to executives and key personnel, vesting upon one year anniversary, or annually in equal installments over four years, (b) 185,000 stock options granted to members of the Board of Directors, vesting upon one year anniversary, (c) 23,500 stock options granted to employees, vesting annually in equal installments over four years, and (d) 20,000 stock options granted to a consultant, vesting upon one year anniversary.

(2) Options expired:

- (a) 705,000 stock options with a weighted average exercise price of $2.68 per share granted to members of the Board of Directors, (b) 216,057 stock options with a weighted average exercise price of $1.58 per share granted to a key personnel, (c) 2,500 stock options with an exercise price of $1.66 per share granted to a former employee.

Restricted Stock Units

Restricted stock units (the "RSUs") are granted subject to certain restrictions. Vesting conditions are determined at the discretion of the Board of Directors. The fair market value of RSUs is generally determined based on the closing market price of the stock on the grant date.

The following table summarizes the restricted stock award activity for the six months ended June 30, 2026:

	Shares		Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2025	64,656	$	1.74
Granted (1)	375,931		0.91
Vested (2)	(250,905)		1.15
Unvested shares forfeited	—		—
Outstanding at June 30, 2026	189,682	$	0.88

Notes:

(1) On January 2, 2026, the Company granted 119,682 restricted stock units, vesting upon one year anniversary, to the Board of Directors as a result of reduction in director cash compensation for 2026, and an aggregate of 186,249 restricted stock units, vested in full, to executives and key personnel in lieu of cash bonus earned for the year ended December 31, 2025.

On March 1, 2026, the Company granted two consultants a total of 70,000 restricted stock units, vesting upon the satisfaction of the applicable time and performance criteria.

(2) Represents the vesting of 186,249 RSUs granted to executives and key personnel, and 64,656 RSUs granted to the Board of Directors.

Compensation Expenses

We recognize all share-based payments to employees and our Board of Directors, as non-cash compensation expense, in research and development expenses or general and administrative expenses in the consolidated statement of operations, and these charges had no impact on the Company's reported cash flows. Stock-based compensation expense is calculated on the grant date fair values of such awards, and recognized each period based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Forfeitures are recorded as they occur. For the three months ended June 30, 2026, no forfeitures were recorded.

For performance-based awards, the Company recognizes related stock-based compensation expenses based upon its determination of the potential likelihood of achievement of the specified performance conditions at each reporting date.

Total non-cash share-based compensation expense was allocated among the following expense categories:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026		2025		2026		2025	
General and administrative	$	134,261	$	323,321	$	263,294	$	531,317
Research and development		10,111		17,141		20,377		34,175
Total	$	144,372	$	340,462	$	283,671	$	565,492

The following table summarizes the Company's non-cash share-based compensation expense allocation between options and restricted stock units:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026		2025		2026		2025	
Share based compensation expense - stock option	$	105,866	$	304,861	$	213,607	$	482,155
Share based compensation expense - restricted stock units		38,506		35,601		70,064		83,337
Total	$	144,372	$	340,462	$	283,671	$	565,492

Warrants

On August 1, 2025, in connection with the services the Underwriter provided to the Company in the Offering, the Company issued to the Underwriter warrants to purchase up to 302,600 shares of common stock (the "Underwriter Warrants"), representing 5.0% of the total shares sold in the Offering. The Underwriter Warrants are exercisable at a price of $1.0925 per share, at any time and from time to time, in whole or in part, from January 28, 2026 until August 1, 2030. As of June 30, 2026, there were 302,600 outstanding warrants to purchase common stock. See Note 7 Shareholder's Equity.

The warrants were accounted for as equity-classified instruments under ASC 718. The fair value of the warrants, determined using the Black-Scholes option pricing model, was estimated to be $0.58 at the issuance date and was recorded as a component of additional paid-in capital, with a corresponding reduction to offering proceeds as an offering cost. The assumptions used in the Black-Scholes model included:

Risk-free interest rate:	3.67%
Expected dividend yield:	0%
Expected stock price volatility:	64.97%
Expected life of warrants (in years)	5.0

Note 7: Shareholders' Equity

Public Offering of Common Stock

On July 30, 2025, the Company entered into an underwriting agreement (the "UA") with Craig-Hallum Capital Group, in its capacity as underwriter, relating to the issuance and sale of 6,052,000 shares of the Company's common stock at a price of $0.95 per share. The closing of the Offering occurred on August 1, 2025.

Total gross proceeds from the Offering were $5,749,400. Net proceeds, after legal expenses, underwriting discounts and offering expenses, were $4,940,695. The Company intends to use the proceeds for working capital and general corporate purposes, such as product development, sales and marketing.

Joseph Hazelton, our President and Chief Operating Officer, purchased 26,000 shares of the Company's common stock in the Offering at the public offering price.

In consideration for Craig-Hallum serving as the underwriter of the Offering, the Company paid the Underwriter a cash fee equal to 7% of the aggregate gross proceeds raised in the Offering, reimbursed the Underwriter for certain expenses and legal fees in the amount of $75,000, and issued the Underwriter Warrants.

Issuances of Common Stock Related to Stock Options and RSU's

For the six months ended June 30, 2026, there were 250,905 shares issued from the vesting of restricted stock units with a weighted average issue price of $1.15 per share.

Treasury Stock

As of June 30, 2026, there were 12,253,502 shares of common stock held in treasury, at a cost of approximately $18.9 million, representing the purchase price on the date the shares were surrendered to the Company.

Note 8: Segment

The Company operates and manages its business as one reportable segment and one operating segment, which is the business of developing and commercializing recombinant protein products using the Company's proprietary microbial platforms, including Dapibus™ and C1. The Company's chief operating decision maker, or CODM, is the Company's senior management team that includes the Chief Executive Officer, President & Chief Operating Officer and Chief Financial Officer. The CODM assesses performance for the segment and decides how to allocate resources based on consolidated net loss that is also reported on the consolidated statements of operations.

The measure of segment assets is reported on the consolidated balance sheets as total consolidated assets. The Company operates in the U.S. and Europe. All material long-lived assets of the Company reside in the U.S. For geographic information about the Company's product revenue, see Note 1, *Concentration*. Long-lived assets primarily consist of operating lease right-of-use assets.

The CODM uses consolidated net loss to evaluate the Company's spending and monitor budget versus actual results. The monitoring of budgeted versus actual results is used in assessing the performance of segment and in establishing resource allocation across the organization. Factors used in determining the reportable segment include the nature of the Company's operating activities, the organizational and reporting structure and the type of information reviewed by the CODM to allocate resources and evaluate financial performance. The accounting policies of the segment are the same as those described in Note 1 of the notes to the consolidated financial statements included in our Annual Report on Form 10-K filed on March 25, 2026, as amended on April 30, 2026.

The CODM reviews cash, cash equivalents, restricted cash and investment securities as a measure of segment assets. As of June 30, 2026 and December 31, 2025, the Company's cash, cash equivalents, restricted cash and its investment securities, including accrued interest were $4.8 million and $8.6 million, respectively.

The following table presents information about segment revenue, significant segment expenses and segment operating loss for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Total revenues	$ 961,138	$ 966,630	$ 2,072,094	$ 1,360,202
Total cost of revenues	984,165	613,591	1,776,005	911,249
Research and development expenses:				
Outside contracted services	174,568	486,585	517,289	842,841
Personnel related costs	147,646	107,528	251,415	212,210
Facilities, overhead, and other	296	18,125	19,609	35,132
General and administrative expenses:				
Compensation and related expenses	561,150	581,276	1,254,254	1,213,798
Business consulting expenses	365,798	71,100	554,687	252,327
Legal and professional services	343,160	209,579	847,455	540,676
Other G&A expenses	285,494	251,354	525,504	494,850
Share-based compensation expenses	144,372	340,462	283,671	565,492
Foreign currency exchange loss (gain), net	8,693	16,098	(898)	23,170
Other Income (expenses), net	69,680	64,706	121,670	89,810
Net loss	$ 2,123,884	$ 1,793,774	$ 4,078,567	$ 3,821,353

Note 9: Subsequent Event

For the purpose of disclosure in the consolidated financial statements, the Company has evaluated subsequent events through August 12, 2026, the date the consolidated financial statements were issued. Except for items mentioned in the notes, management is not aware of any material events that have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in the accompanying financial statements.

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements appearing in this Quarterly Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks, assumptions and uncertainties. Important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis include, but are not limited to, those set forth in "Part II, Item 1A. Risk Factors" in this Quarterly Report. All forward-looking statements included in this Quarterly Report are based on information available to us as of the time we file this Quarterly Report and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements.

Overview

Description of Business

Dyadic International, Inc. ("Dyadic," "we," "us," "our," or the "Company"), d/b/a Dyadic Applied BioSolutions, is a global biotechnology platform company headquartered in Jupiter, Florida, with operations in the United States and the Netherlands. We develop and commercialize scalable, non-animal protein-production platforms intended to address growing demand across the life sciences, food and nutrition, and bio-industrial markets.

Effective August 1, 2025, the Company began doing business as Dyadic Applied BioSolutions. This rebranding reflects the Company's strategic transition from a primarily research-driven organization to a commercially focused biotechnology enterprise. The new name and visual identity are intended to better communicate our focus on delivering applied biotechnology solutions through our proprietary Dapibus™ and C1 protein-production platforms.

Our Dapibus™ and C1 platforms are designed to enable the rapid, flexible, and potentially cost-effective production of high-value proteins. We are primarily focused on commercial opportunities involving non-therapeutic proteins for applications in the life sciences, food and nutrition, and industrial bioprocessing markets. Potential applications include proteins used in research and diagnostics, food and nutrition products, industrial enzymes, and other bio-based products. By focusing on selected non-therapeutic applications, we seek to address markets that may involve shorter development timelines and less regulatory complexity than therapeutic biologics, while pursuing opportunities for product sales, partnerships, licensing, and longer-term supply arrangements.

In parallel with our commercial focus, we continue to advance our biopharmaceutical capabilities through externally funded collaborations and other third-party sources of funding, including programs supported by organizations such as the Bill & Melinda Gates Foundation and the Coalition for Epidemic Preparedness Innovations ("CEPI"), as applicable. These programs support the continued development and validation of our protein-production technologies and may help expand the potential applications of the C1 platform over the longer term. Our objective is to enhance the value of the C1 platform for the development and manufacture of biologic antigens, antibodies, enzymes, and other proteins, including for potential use in biopharmaceutical, vaccine, diagnostic, and related applications.

Our business strategy is therefore focused on two complementary objectives: (1) pursuing near- and medium-term potential commercial opportunities in non-therapeutic protein markets, including life sciences, food and nutrition, and industrial bioprocessing; and (2) continuing to advance our biopharmaceutical technology base mainly through third-party-funded collaborations and other strategic programs. We believe this approach may allow us to pursue revenue-generating opportunities while preserving the longer-term potential of our platforms in broader biopharmaceutical and biologics markets.

Recent Company Developments

● **Commercial Sales & Product Shipments:** Advanced the recombinant protein portfolio through Q2 product shipments directly and through distribution partners. Subsequent to quarter-end, Dyadic completed shipments of six distinct recombinant protein products and generated initial pilot sales of recombinant transferrin and growth factors for cultivated-meat applications.

● **OEM Distribution Progress:** Initiated Q2 shipments to IBT Bioservices under Dyadic's OEM distribution agreement, with additional shipments completed after quarter-end, supporting product evaluation, qualification and commercialization across IBT's global life-science customer network.

● **Proliant Health & Biologicals:** Proliant has begun commercialization of Albufree™ DX recombinant human albumin for life science and diagnostic applications and announced plans to expand the Albufree™ portfolio with Albufree™ TX for cell culture and Albufree™ CGT for cell and gene therapy applications, positioning Dyadic for future royalties.

● **Fermbox Bio:** Scaled commercialization and initial orders for recombinant DNase I (RNase-free) and recombinant human transferrin.

● **Inzymes:** Confirmed initial commercial sales of non-animal bovine chymosin, with a second product in development that could trigger milestone payments and royalties.

● **Cell Culture & Life-Science Products:** Continued advancing animal-free recombinant proteins for cell-culture and related applications. Pilot-scale process improvements increased recombinant human transferrin productivity by approximately **80%**, further supporting the potential for competitive manufacturing economics as Dyadic advances transferrin, albumin, growth factors and other recombinant animal-free proteins toward broader commercial use.

● **Food & Nutrition Pipeline Expansion:** Initiated scale-up activities with BRIG BIO for recombinant bovine alpha-lactalbumin under a funded development agreement. Subsequent to quarter-end, Dyadic expanded its precision-fermented dairy protein portfolio through an additional development and commercialization agreement, broadening potential opportunities to generate future product, licensing and royalty revenues.

● **Global Health Programs:** Advanced Gates Foundation-funded RSV and malaria monoclonal antibody ("mAb") programs, with C1-produced antibodies demonstrating high productivity and functional characteristics comparable to established mammalian-cell reference materials. Funding is in place to advance these programs, and Dyadic is working toward delivery of C1-produced material to support initiation of preclinical studies with one or both mAbs, providing an additional opportunity to support potential future clinical and commercial adoption.

Continued C1 development with CEPI/Fondazione Biotecnopolo di Siena ("FBS") to accelerate protein-vaccine antigen development and advancing NIAID-supported preclinical evaluation of C1-produced malaria antigens.

● **Rapid Pandemic Response Capabilities:** Demonstrated C1's platform agility by producing, purifying and delivering two Scripps-designed Bundibugyo ebolavirus ("BDBV") antigens to Scripps Research and FBS in approximately 15 days from plasmid to purified protein. The antigens are undergoing further characterization and may support future preclinical evaluation, subject to program priorities, additional evaluation and available funding.

● **Government, Academic & Industry Adoption:** Continued monoclonal antibody development with the Israel Institute for Biological Research ("IIBR") and expanded access to C1 strains, processes and development capabilities for academic and industry partners evaluating next-generation vaccines and therapeutics. Dyadic is also pursuing several potential monoclonal antibody programs through the European Vaccines Hub/FBS ecosystem, as well as opportunities with prospective first-time C1 collaborators.

Critical Accounting Estimates

The preparation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates that affect the reported amount of assets and liabilities and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenue and expenses during the applicable period. Actual results may differ from these estimates under different assumptions or conditions. Such differences could be material to the consolidated financial statements.

We define critical accounting estimates as those that are reflective of significant judgments and uncertainties and which may potentially result in materially different results under different assumptions and conditions. In applying these critical accounting estimates, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. These estimates are subject to an inherent degree of uncertainty. Our critical accounting estimates include the following:

Revenue Recognition

The Company has launched an initial portfolio of research-use-only products for direct sales. Early-stage manufacturing is ongoing and initial shipments of product samples for evaluation and qualification purposes to distribution partners are underway. The Company also participates in the commercialization of products developed and launched by third-party collaborators, from which it is entitled to a share of revenue or profits.

As of June 30, 2026, the Company has not recognized any revenue from product sales. All our revenue to date has been research revenue from third-party collaborations and grants, as well as revenue from sublicensing agreements and collaborative arrangements, which may include upfront payments, options to obtain a license, payment for research and development services, milestone payments and royalties, in the form of cash or non-cash considerations (e.g., minority equity interest).

Revenue related to research collaborations and agreements: The Company typically performs research and development services as specified in each respective agreement on a best-efforts basis, and recognizes revenue from research funding under collaboration agreements in accordance with the 5-step process outlined in ASC Topic 606 ("Topic 606"): (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We recognize revenue when we satisfy a performance obligation by transferring control of the service to a customer in an amount that reflects the consideration that we expect to receive. Depending on how the performance obligation under our license and collaboration agreements is satisfied, we recognize the revenue either at a point in time or over time by using the input method under Topic 606 to measure the progress toward complete satisfaction of a performance obligation.

Under the input method, revenue will be recognized based on the entity's efforts or inputs to the satisfaction of a performance obligation (e.g., resources consumed, labor hours expended, costs incurred, or time elapsed) relative to the total expected inputs to the satisfaction of that performance obligation. The Company believes that the cost-based input method is the best measure of progress to reflect how the Company transfers its performance obligation to a customer. In applying the cost-based input method of revenue recognition, the Company uses actual costs incurred relative to budgeted costs to fulfill the performance obligation. These costs consist primarily of full-time equivalent effort and third-party contract costs. Revenue will be recognized based on actual costs incurred as a percentage of total budgeted costs as the Company completes its performance obligations.

A cost-based input method of revenue recognition requires management to make estimates of costs to complete the Company's performance obligations. In making such estimates, significant judgment is required to evaluate assumptions related to cost estimates. The cumulative effect of revisions to estimated costs to complete the Company's performance obligations will be recorded in the period in which changes are identified, and amounts can be reasonably estimated. A significant change in these assumptions and estimates could have a material impact on the timing and amount of revenue recognized in future periods.

Revenue related to grants: The Company receives grants from governments, agencies, and other private and not-for-profit organizations. These grants are intended to be used to fund the Company's research collaborations partially or fully, including opportunities and projects that the Company is pursuing with certain collaborators. However, most, if not all, of such potential grant revenue, is expected to be earmarked for third parties to advance the research required, including preclinical and clinical trials for vaccines and/or antibodies candidates. Revenue related to grants are presented on a gross basis on the Consolidated Statements of Operations.

Revenue related to sublicensing agreements: If the sublicense to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenue allocated to the license when technology is transferred to the customer and the customer can use and benefit from the license.

Customer options: If the sublicensing agreement includes customer options to purchase additional goods or services, the Company will evaluate if such options are considered material rights to be deemed as separate performance obligations at the inception of each arrangement.

Milestone payments: At the inception of each arrangement that includes development, commercialization, and regulatory milestone payments, the Company evaluates whether the achievement of the milestones is considered probable and estimates the amount to be included in the transaction price. If the milestone payment is in exchange for a sublicense and is based on the sublicensee's subsequent sale of product, the Company recognizes milestone payment by applying the accounting guidance for royalties.

Royalties: With respect to licenses deemed to be the predominant item to which the sales-based royalties relate, including milestone payments based on the level of sales, the Company recognizes revenue at the later of (i) when the related sales occur or (ii) when the performance obligation to which some or all the royalty has been allocated has been satisfied (or partially satisfied). To date, the Company has not recognized any royalty revenue resulting from any of its sublicensing arrangements.

We invoice customers based on our contractual arrangements with each customer, which may not be consistent with the period that revenue is recognized. When there is a timing difference between when we invoice customers and when revenue is recognized, we record either a contract asset (unbilled accounts receivable) or a contract liability (deferred research and development obligations), as appropriate. If upfront fees or considerations related to a sublicensing agreement are received prior to the technology transfer, the Company will record the amount received as deferred revenue from the licensing agreement.

We are not required to disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

The Company adopted a practical expedient to expense sales commissions when incurred because the amortization period would be one year or less.

Accrued Research and Development Expenses

We estimate accrued research and development expenses at each balance sheet date for services rendered but not yet invoiced. Estimates are based on open contracts, purchase orders, and communication with personnel, and are confirmed with service providers periodically. Most providers invoice monthly or quarterly in arrears.

Stock-Based Compensation

We have granted stock options to employees, directors, and consultants. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes model considers volatility in the price of our stock, the risk-free interest rate, the estimated life of the option, the closing market price of our stock and the exercise price. For purposes of the calculation, we assumed that no dividends would be paid during the life of the options. We also used the weighted-average vesting period and contractual term of the option as the best estimate of the expected life of a new option, except for the options granted to certain contractors (i.e., 2 to 5 years). The expected stock price volatility was calculated based on the Company's own volatility. The Company reviews its volatility assumption on an annual basis and has used the Company's historical volatilities since 2016.

The estimates utilized in the Black-Scholes calculation involve inherent uncertainties and the application of management judgment. These estimates are neither predictive nor indicative of the future performance of our stock. As a result, if other assumptions had been used, our recorded share-based compensation expense could have been materially different from that reported. In addition, because some of the performance-based options issued to employees, consultants, and other third-parties vest upon the achievement of certain milestones, the total ultimate expense of share-based compensation is uncertain.

Accounting for Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740, "Income Taxes". Under this method, income tax expense / (benefit) is recognized for: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all the deferred tax assets will not be realized.

In determining taxable income for the Company's consolidated financial statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. This process requires the Company to make certain estimates of our actual current tax exposure and assessment of temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating the Company's ability to recover its deferred tax assets, the Company must consider all available positive and negative evidence including its past operating results, the existence of cumulative losses in the most recent years and its forecast of future taxable income. Significant management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets.

The Company is required to evaluate the provisions of ASC 740 related to the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740 prescribes a comprehensive model for how a company should recognize, present, and disclose uncertain positions that the company has taken or expects to take in its tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the net benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits." A liability should be recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for unrecognized tax benefits, because it represents a company's potential future obligation to the taxing authority for a tax position that was not recognized because of applying the provision of ASC 740.

The Company classifies accrued interest and penalties related to its tax positions as a component of income tax expense. The Company currently is not subject to U.S. federal, state, and local tax examinations by tax authorities for the years before 2022.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

See Note 1 to the Consolidated Financial Statements for information about recent accounting pronouncements.

Results of Operations

Three and six months ended June 30, 2026, compared to the same period in 2025

Revenue and Cost of Revenue

The following table summarizes the Company's revenue and cost of revenue for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended			
	June 30, 2026	June 30, 2025	Changes in $	Changes in %
Total revenue	$ 961,138	$ 966,630	$ (5,492)	(0.6)%
Total cost of revenue	984,165	613,591	(370,574)	(60.4)%
Research and development expenses	332,621	629,379	296,758	47.2%
General and administrative expenses	1,689,863	1,436,630	(253,233)	(17.6)%
Foreign currency exchange loss	8,693	16,098	7,405	46.0%
Loss from operations	(2,054,204)	(1,729,068)	(325,136)	(18.8)%
Other income (expense), net	(69,680)	(64,706)	(4,974)	(7.7)%
Net loss	$ (2,123,884)	$ (1,793,774)	$ (330,110)	(18.4)%

	Six Months Ended			
	June 30, 2026	June 30, 2025	Changes in $	Changes in %

Total revenues	$ 2,072,094	$ 1,360,202	$ 711,892	52.3%
Total cost of revenues	1,776,005	911,249	(864,756)	(94.9)%
Research and development expenses	808,690	1,124,358	315,668	28.1%
General and administrative expenses	3,445,194	3,032,968	(412,226)	(13.6)%
Foreign currency exchange (gain) loss	(898)	23,170	24,068	103.9%
Loss from operations	(3,956,897)	(3,731,543)	(225,354)	(6.0)%
Other income (expense), net	(121,670)	(89,810)	(31,860)	(35.5)%
Net loss	$ (4,078,567)	$ (3,821,353)	$ (257,214)	(6.7)%

Total revenue for the three months ended June 30, 2026 was $961,138, representing a decrease of $5,492 or 0.6% compared to $966,630 for the three months ended June 30, 2025. The slight decrease was driven by a $89,563 decrease in research and development revenue resulting from the reduction in the numbers and size of collaboration activities, and the absence of a $250,000 milestone revenue recorded in 2025, partially offset by a $334,071 increase in grant revenue from activities under the CEPI and Gates Foundation grants.

Total revenue for the six months ended June 30, 2026 was $2,072,094, representing an increase of $711,892 or 52.3% compared to $1,360,202 for the six months ended June 30, 2025. The increase was driven by a $610,965 increase in grant revenue from activities under the CEPI and Gates Foundation grants and a $130,927 increase in research and development revenue primarily related to the Proliant Agreement, partially offset by a $30,000 decrease in license and milestone revenue due to the recognition of a contract milestone under the Inzymes Agreement in the prior-year period.

Total cost of revenue for the three months period ended June 30, 2026 was $984,165, representing an increase of $370,574 or 60.4% compared to $613,591 for the three months ended June 30, 2025. The increase was due to a $395,709 increase in cost of grant revenue from activities under the CEPI and Gates Foundation grants, partially offset by a $25,135 decrease in the cost of research and development revenue.

Total cost of revenue for the six months period ended June 30, 2026 was $1,776,005, representing an increase of $864,756 or 94.9% compared to $911,249 for the six months ended June 30, 2025. The increase was driven by a $676,214 increase in cost of grant revenue from activities under the CEPI and Gates Foundation grants, and a $188,542 increase in the cost of research and development revenue.

Research and Development Expenses

Research and development costs are expensed as incurred and include salary and benefits of research personnel, third-party contract research organization services and supply costs.

Research and development expenses for the three months ended June 30, 2026, were $332,621, a decrease of $296,758 or 47.2% compared to $629,379 for the same period in 2025. The decrease was due to reduction in the number of active internal research initiatives.

Research and development expenses for the six months ended June 30, 2026, were $808,690, a decrease of $315,668 or 28.1% compared to $1,124,358 for the same period in 2025. The decrease was due to reduction in the number of active internal research initiatives.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2026, were $1,689,863, an increase of $253,233 or 17.6%, compared to $1,436,630 for the same period in 2025. The increase was due to higher rebranding and business development expenses of $322,638, increased legal and accounting expenses of $115,836, and other expenses of $43,639, partially offset by a decrease in share-based compensation expenses of $196,408 and incentives of $32,472.

General and administrative expenses for the six months ended June 30, 2026, were $3,445,194, an increase of $412,226 or 13.6%, compared to $3,032,968 for the same period in 2025. The increase was due to higher legal and accounting expenses of $337,140, increased rebranding and business development expenses of $328,550, and other expenses of $68,491, partially offset by a decrease in share-based compensation expenses of $306,789 and insurance expenses of $15,166.

Loss from Operations

Loss from operations for the three months ended June 30, 2026 was $2,054,204, an increase of $325,136 or 18.8%, compared to $1,729,068 for the same period in 2025. The increase was largely attributable to higher total cost of revenue of $370,574 and higher general and administrative expenses of $253,233, partially offset by lower research and development expenses of $296,758.

Loss from operations for the six months ended June 30, 2026 was $3,956,897, an increase of $225,354 or 6.0%, compared to $3,731,543 for the same period in 2025. The increase was largely attributable to higher total cost of revenue of $864,756 and higher general and administrative expenses of $412,226, partially offset by higher total revenue of $711,892 and lower in research and development expenses of $315,668.

Other Income (Expenses), Net

For the three months ended June 30, 2026, total other expenses, net, was $69,680, compared to $64,706 for the same period in 2025. The increase in other expenses, net is primarily due to lower interest income.

For the six months ended June 30, 2026, total other expenses, net, was $121,670, compared to $89,810 for the same period in 2025. The increase in other expenses, net is primarily due to lower interest income.

Net Loss

Net loss for the three months ended June 30, 2026 was $2,123,884, compared to $1,793,774 for the same period in 2025. The increase of $330,110 was due to an increase of $325,136 in loss from operations, and an increase in other expenses of $4,974.

Net loss for the six months ended June 30, 2026 was $4,078,567, compared to $3,821,353 for the same period in 2025. The increase of $257,214 was due to an increase of $225,354 in loss from operations, and an increase in other expenses of $31,860.

Liquidity and Capital Resources

As required under ASC 205-40, management evaluated conditions and events that could raise substantial doubt about the Company's ability to continue as a going concern for at least 12 months from the financial statement issuance date. As discussed in Note 1 to the Consolidated Financial Statements, as of June 30, 2026, our management has concluded that there is substantial doubt about our ability to continue as a going concern, which depends upon our obtaining necessary financing to meet our obligations and repay our liabilities arising from normal business operations as they come due. For more information regarding our management's mitigation plan and the associated risks, see Note 1 to the Consolidated Financial Statements and "Part II, Item 1A. Risk Factors" of this Quarterly Report. If we are unable to implement sufficient mitigation efforts, we may be forced to limit our business activities or be unable to continue as a going concern, which would have a material adverse effect on our results of operations and financial condition.

The Company expects to incur losses and have negative net cash flows from operating activities as it continues developing its Dapibus™ and C1 microbial protein production platforms and related products, commercialization activities, and as it expands its pipelines and engages in further research and development activities for internal products as well as for its third-party collaborators and licensees. The success of the Company depends on its ability to develop its technologies and products to the point of regulatory approval, commercialization, and subsequent revenue generation or through the sublicensing of the Company's technologies and products, and its ability to raise capital to finance these developmental efforts.

On March 8, 2024, the Company issued an aggregate principal amount of $6.0 million of its 8.0% Senior Secured Convertible Promissory Notes (the "Convertible Notes") in a private placement. The purchasers of the Convertible Notes included immediate family members and family trusts related to Mark Emalfarb, our President and Chief Executive Officer and a member of our Board of Directors, including The Francisco Trust, an existing holder of more than 5% of the Company's outstanding common stock (collectively, the "Purchasers"). The net proceeds from the sale of Convertible Notes, after deducting offering expenses, were $5,824,326. The Company intends to use the net proceeds from the offering of the Convertible Notes for working capital and general corporate purposes.

The Convertible Notes are senior, secured obligations of Dyadic and its affiliates, and interest is payable quarterly in cash on the principal amount equal to 8% per annum. The Convertible Notes, as amended, will mature on December 31, 2027 (the "Maturity Date"), unless earlier converted, repurchased, or redeemed in accordance with the terms of the Convertible Notes. The Convertible Notes can be converted into shares of common stock, at the option of the holders of the Convertible Notes (the "Noteholders") at any time prior to the Maturity Date.

During the year ended December 31, 2024, $910,000 of Convertible Notes were converted into 556,623 shares of common stock. For more information regarding the Convertible Notes, including the covenants related thereto, see Note 4 to the Consolidated Financial Statements.

On May 1, 2025, the Company amended the Convertible Notes to extend the Redemption Date (as defined in the Convertible Notes) to December 1, 2026.

On September 15, 2025, the Company amended the security agreement to reflect updates to the Secured Parties (as defined in the Security Agreement) thereunder, including the addition of a trust for the benefit of the Company's Chief Executive Officer, Mark Emalfarb, as a result of his purchase and assignment to him of one of the Notes from an existing note holder in a principal amount of $1,000,000.

On December 23, 2025, the Company entered into an additional amendment to the Convertible Notes, pursuant to which (i) the Maturity Date (as defined in the Convertible Notes) was extended from March 8, 2027 to December 31, 2027, (ii) the conversion price at which the Convertible Notes are convertible into shares of the Company's common stock was set at $1.05 per share of common stock, and (iii) except in the case of an Event of Default (as defined in the Convertible Notes), the holders no longer have the right to elect to have the Company redeem all, or any part, of the principal amount then remaining under the Convertible Notes.

The Convertible Notes contain customary covenants, and the Securities Purchase Agreement relating to the Convertible Notes also contains certain affirmative and negative covenants (including, without limitation, restrictions on our ability to incur indebtedness, permit liens, make dividends or certain debt payments or consummate certain affiliate transactions). The Company was in compliance with its covenants with respect to the Convertible Notes as of June 30, 2026.

On November 16, 2024, Dyadic entered into an agreement with the Gates Foundation relating to the Gates Foundation Grant in the amount of $3,092,136 for the cell line development of monoclonal antibodies targeting respiratory syncytial virus and malaria utilizing the Company's C1 platform to provide globally accessible treatment options for underserved populations. Funds received in advance that have not been spent are recorded as restricted cash in the Company's consolidated balance sheets. As of June 30, 2026, the Company had received the full amount of the Gates Foundation Grant.

On March 20, 2025, the Company received a funding award (the "CEPI Grant") from Coalition for Epidemic Preparedness ("CEPI") to advance Dyadic's C1 platform through a $4.5 million grant through Fondazione Biotecnopolo di Siena ("FBS") to accelerate recombinant protein vaccine development and manufacturing. The funding will support antigen design, cell line development, optimization, characterization, and scale-up to cGMP manufacturing. If successful, the next phase will focus on selecting a CEPI-priority pathogen antigen. Dyadic, as a subcontractor, will receive up to $2.4 million of the total grant funding.

On August 1, 2025, the Company completed its underwritten Offering of 6,052,000 shares of the Company's common stock pursuant to an underwriting agreement, dated July 30, 2025, between the Company and Craig-Hallum. The public offering price in the Offering was $0.95 per share of common stock. The net proceeds to the Company from the Offering were approximately $4.9 million, after deducting legal expenses, underwriting discounts and commissions, and other offering expenses. The Company has been using the net proceeds of the Offering for working capital and general corporate purposes, such as product development, sales and marketing.

On March 6, 2026, the Company entered into an At-The-Market Issuance Sales Agreement with Craig-Hallum Capital Group LLC, allowing the Company to sell up to $4,238,000 of common stock from time to time through Craig-Hallum as sales agent, at a commission of up to 3.0% of gross proceeds. As of the date of this report, no shares have been sold under the agreement. See Note 1 for additional details.

As of June 30, 2026, cash, cash equivalents, and restricted cash were $3.0 million compared to $5.9 million as of December 31, 2025. The carrying value of investment grade securities, including accrued interest as of June 30, 2026, was $1.8 million compared to $2.7 million as of December 31, 2025.

Net cash used in operating activities for the six months ended June 30, 2026 was $3.8 million, which was principally attributable to a net loss of $4.1 million, partially offset by share-based compensation expenses of $0.3 million.

Net cash provided by investing activities for the six months ended June 30, 2026 was $0.9 million, compared to net cash used by investing activities for six months ended June 30, 2025 was $0.5 million. The change in investing activities of $1.4 million was attributable to a reduction in purchases of held-to-maturity investment securities of $3.3 million, offset by a decrease in proceeds received from maturities of investment securities of $1.9 million.

There was no financing activities for the six months ended June 30, 2026. Net cash provided by financing activities for the six months ended June 30, 2025 was related to proceeds from the exercise of stock options, and the amount was immaterial.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitation on Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II

Item 1. Legal Proceedings

We are not currently involved in any litigation that we believe could have a materially adverse effect on our financial condition or results of operations. From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. See Note 5 to the Consolidated Financial Statements for commitments and contingencies.

Item 1A. Risk Factors

Except as set forth below, there have been no changes to our risk factors from those disclosed in our Annual Report.

We have concluded that there is substantial doubt as to our ability to continue as a going concern.

As discussed in Note 1 to the Consolidated Financial Statements and "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" as of June 30, 2026, our management has concluded that there is substantial doubt about our ability to continue as a going concern. For more information regarding our management's evaluation and mitigation plan, see Note 1 to the Consolidated Financial Statements. This mitigation could carry risks. Any capital raise could be highly dilutive to existing investors, we may not be able to raise funds on terms that are favorable to us, and there is no assurance we will remain listed on Nasdaq and maintain the access to liquidity needed to carry out a raise. While the Company has historically received significant grant funding, there is no guarantee its grant applications will be approved. There is also no assurance that Noteholders will agree to modify, exchange, or extend the maturity of their Convertible Notes. If we are unable to implement sufficient mitigation efforts, we may be forced to limit our business activities or be unable to continue as a going concern, which would have a material adverse effect on our results of operations and financial condition. If we become insolvent, investors in our securities may lose the entire value of their investment in our business.

If we fail to comply with listing standards of Nasdaq, our common stock may be delisted, adversely affecting the liquidity and market price of our common stock, as well as our ability to obtain sufficient additional capital to continue funding our operations.

Our common stock is currently listed on the Nasdaq Capital Market, which has minimum requirements that a company must meet in order to remain listed. As previously disclosed, we were previously not in compliance with various of these requirements, including the requirement that our common stock maintain a minimum bid price per share of $1.00 (such that the share price of the common stock close not below $1.00 for 30 consecutive business days) (the "Minimum Bid Price Rule"), and we did not meet any of the following conditions: $2.5 million in shareholders' equity; $35 million in market value of listed securities; or $500,000 of net income from continuing operations (the "Continued Listing Standards"). We have since regained compliance with these rules. However, if we fail again to comply with the Minimum Bid Price Requirement, the Continued Listing Standards or any other requirement for continued listing on Nasdaq, our common stock could be delisted, subject to a possible appeal within Nasdaq. With respect to the Minimum Bid Price Rule, in May 2026, we received shareholder approval at our annual meeting for authorization for our Board to effect a reverse stock split on specific terms, and if we again lose compliance with the rule, our Board may determine to effect the split as a possible way to cure the deficiency (to the extent deemed by Board as in the best interests of us and our shareholders). In any event, if delisting of our common stock became final, it would then be traded in the over-the-counter market established for unlisted securities such as the OTCQX, the OTCQB, the OTCID Basic Market or the Pink Limited Market, but there can be no assurance that our common stock will be eligible for trading on any such alternative market. Additionally, the liquidity of our common stock would be adversely affected, the market price of our common stock could decrease, our ability to obtain sufficient additional capital to fund our operations and to continue to operate as a going concern would be substantially impaired and transactions in our common stock could lose federal preemption of state securities laws. Furthermore, there could be a reduction in our coverage by securities analysts, and broker-dealers may be deterred from making a market in or otherwise seeking or generating interest in our common stock, which could cause the price of our common stock to decline further. Moreover, delisting may also negatively affect our collaborators', vendors', suppliers' and employees' confidence in us and employee morale. If we effected a reverse stock split (assuming such split is approved by our shareholders), the liquidity of our common stock could be harmed, given the reduced number of shares of common stock that would be outstanding afterward, particularly if the share price does not increase as a result thereof.

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

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) For the quarter ended June 30, 2026, none of our directors or officers (as defined in Section 16 of the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (each as defined in Item 408(a) and (c), respectively, of Regulation S-K).

Item 6. Exhibits

The following Exhibits are filed as part of this report pursuant to Item 601 of Regulation S-K:

			Incorporated by Reference		
Exhibit No.	Description of Exhibit	Form	Original No.	Date Filed	Filed Herewith
3.1	Restated Certificate of Incorporation dated November 1, 2004	10-12G	3.1	January 14, 2019	
3.2	Fourth Amended and Restated Bylaws of Dyadic International, Inc., effective May 29, 2025	8-K	3.1	June 2, 2025	
31.1	Certification of Principal Executive Officer of Dyadic Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Principal Financial Officer of Dyadic Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Principal Executive Officer of Dyadic Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)				
32.2	Certification of Principal Financial Officer of Dyadic Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)				
101.INS	Inline XBRL Instance Document				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)				

(1) 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.

August 12, 2026

DYADIC INTERNATIONAL, INC.

By: */s/ Mark A. Emalfarb*
Mark A. Emalfarb
Chief Executive Officer
(Principal Executive Officer)

August 12, 2026

By: */s/ Ping W. Rawson*
Ping W. Rawson
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Securities and Exchange Commission Release 34-46427

I, Mark A. Emalfarb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dyadic International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 we have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer 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: August 12, 2026

By: *__/s/ Mark A. Emalfarb__*
Name: Mark A. Emalfarb
Title: Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Securities and Exchange Commission Release 34-46427

I, Ping W. Rawson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dyadic International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer 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 we have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant’s other certifying officer 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: August 12, 2026

By: */s/ Ping W. Rawson*
Name: Ping W. Rawson
Title: Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Dyadic International, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark A. Emalfarb, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: August 12, 2026

By: */s/ Mark A. Emalfarb*
Name: Mark A. Emalfarb
Title: Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of Dyadic International, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ping W. Rawson, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: August 12, 2026

By: */s/ Ping W. Rawson*
Name: Ping W. Rawson
Title: Chief Financial Officer