

**Dragonfly Energy Holdings Corp.**  
**Balance Sheet**  
**Years Ended December 31, 2022 and 2021**  
(in thousands)

	<u>2022</u>	<u>2021</u>
<b>Current Assets</b>		
Cash	\$ 17,781	\$ 25,586
Restricted cash	-	3,044
Accounts receivable, net of allowance for doubtful accounts	1,444	783
Inventory	49,846	27,127
Prepaid expenses	1,624	293
Prepaid inventory	2,002	7,461
Prepaid income tax	525	-
Other current assets	267	1,787
Total Current Assets	<u>73,489</u>	<u>66,081</u>
<b>Property and Equipment</b>		
Property and Equipment, Net	10,760	4,461
Operating lease right of use asset	4,513	5,709
<b>Total Assets</b>	<b>\$ 88,762</b>	<b>\$ 76,251</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 13,475	\$ 11,360
Accrued payroll and other liabilities	6,295	2,608
Customer deposits	238	434
Uncertain tax position liability	128	-
Income tax payable	-	631
Notes payable, current portion, net of debt issuance costs	19,242	1,875
Operating lease liability, current portion	1,188	1,082
Total Current Liabilities	<u>40,566</u>	<u>17,990</u>
<b>Long-Term Liabilities</b>		
Notes payable-non current, net of debt discount	-	37,053
Warrant liabilities	32,831	-
Deferred tax liabilities	-	453
Accrued expenses-long term	492	-
Operating lease liability, net of current portion	3,541	4,694
Total Long-Term Liabilities	<u>36,864</u>	<u>42,200</u>
<b>Total Liabilities</b>	<b>77,430</b>	<b>60,190</b>
<b>Equity</b>		
Common stock, 170,000,000 shares at \$0.0001 par value, authorized, 43,272,728 and 36,496,998 shares issued and outstanding as of December 31, 2022 and 2021, respectively	4	4
Preferred stock, 5,000,000 shares at \$0.0001 par value, authorized, no shares issued and outstanding as of December 31, 2022 and 2021, respectively	-	-
Additional paid in capital	38,461	3,619
Retained (deficit) earnings	(27,133)	12,438
<b>Total Equity</b>	<u>11,332</u>	<u>16,061</u>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 88,762</b>	<b>\$ 76,251</b>

**Dragonfly Energy Holdings Corp.**  
**Statement of Operations**  
**Years Ended December 31, 2022 and 2021**  
(in thousands, except share and per share data)

	<u>2022</u>	<u>2021</u>
<b>Net Sales</b>	\$ 86,251	\$ 78,000
<b>Cost of Goods Sold</b>	62,247	48,375
<b>Gross Profit</b>	24,004	29,625
<b>Operating Expenses</b>		
Research and development	2,764	2,689
General and administrative	41,566	10,621

Selling and marketing	13,671	9,848
<b>Total Operating Expenses</b>	<b>58,001</b>	<b>23,158</b>
(Loss) Income From Operations	(33,997)	6,467
<b>Other Income (Expense)</b>		
Other Income	40	1
Interest expense	(6,945)	(519)
Change in fair market value of warrant liability	5,446	-
Debt extinguishment	(4,824)	-
<b>Total Other Expense</b>	<b>(6,283)</b>	<b>(518)</b>
<b>(Loss) Income Before Taxes</b>	<b>(40,280)</b>	<b>5,949</b>
<b>Income Tax (Benefit) Expense</b>	<b>(709)</b>	<b>1,611</b>
<b>Net (Loss) Income</b>	<b>\$ (39,571)</b>	<b>\$ 4,338</b>
(Loss) Earnings Per Share- Basic	\$ (1.03)	\$ 0.12
(Loss) Earnings Per Share- Diluted	\$ (1.03)	\$ 0.11
Weighted Average Number of Shares- Basic	38,565,307	35,579,137
Weighted Average Number of Shares- Diluted	38,565,307	37,742,337

**Dragonfly Energy Holdings Corp.**  
**Statement of Cash Flows**  
**Years Ended December 31, 2022 and 2021**  
(in thousands)

	<b>2022</b>	<b>2021</b>
<b>Cash flows from Operating Activities</b>		
Net (Loss) Income	\$ (39,571)	\$ 4,338
Adjustments to Reconcile Net (Loss) Income to Net Cash Used in Operating Activities		
Stock based compensation	2,467	734
Debt extinguishment	4,824	-
Amortization of debt discount	1,822	206
Change in fair market value of warrant liability	(5,446)	-
Deferred tax liability	(453)	122
Non-cash interest expense (paid-in kind)	1,192	-
Provision for doubtful accounts	108	50
Depreciation and amortization	891	617
Loss on disposal of property and equipment	56	124
Assumption of Warrant Liability	1,990	-
Changes in Assets and Liabilities		
Accounts receivable	(769)	1,007
Inventories	(22,719)	(21,179)
Prepaid expenses	(1,467)	58
Prepaid inventory	5,459	(6,353)
Other current assets	1,520	(1,214)
Other assets	1,196	1,029
Income taxes payable	(1,156)	(651)
Accounts payable and accrued expenses	4,428	8,903
Uncertain tax position liability	128	(19)
Customer deposits	(196)	(1,345)
Total Adjustments	(6,125)	(17,911)
<b>Net Cash Used in Operating Activities</b>	<b>(45,696)</b>	<b>(13,573)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of property and equipment	35	61
Purchase of property and equipment	(6,862)	(2,970)
<b>Net Cash Used in Investing Activities</b>	<b>(6,827)</b>	<b>(2,909)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from term loan	75,000	-
Proceeds from note payable	-	45,000
Repayment from note payable	(45,000)	-
Payments of debt issuance costs	(4,032)	(6,278)

Proceeds from exercise of options	706	184
Proceeds from stock purchase agreement	15,000	-
Proceeds from revolving note agreement	-	5,000
Repayments of revolving note agreement	-	(5,000)
<b>Net Cash Provided by Financing Activities</b>	<b>41,674</b>	<b>38,906</b>
Net (Decrease) / Increase in Cash and Restricted Cash	(10,849)	22,424
Beginning cash and restricted cash	28,630	6,206
<b>Ending cash and restricted cash</b>	<b>\$ 17,781</b>	<b>\$ 28,630</b>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for income taxes	\$ 773	\$ 2,390
Cash paid for interest	\$ 2,252	\$ 313
Supplemental Non-Cash Items		
Receivable of options exercised	\$ -	\$ 250
Purchases of property and equipment, not yet paid	\$ 419	\$ 255
Recognition of right of use asset obtained in exchange for operating lease liability	\$ -	\$ 5,745
Cashless exercise of liability classified warrants	\$ 16,669	\$ -

**Dragonfly Energy Holdings Corp.**  
**Statement of Operations**  
**Quarters Ended December 31, 2022 and 2021**  
(in thousands, except share and per share data)

	Unaudited 2022	2021
<b>Net Sales</b>	\$ 20,209	\$ 20,179
<b>Cost of Goods Sold</b>	15,766	14,061
<b>Gross Profit</b>	4,443	6,118
<b>Operating Expenses</b>		
Research and development	813	790
General and administrative	27,788	2,191
Selling and marketing	4,340	3,194
<b>Total Operating Expenses</b>	32,941	6,175
(Loss) Income From Operations	(28,498)	(57)
<b>Other Income (Expense)</b>		
Other Income	40	1
Interest expense	(3,288)	(395)
Change in fair market value of warrant liability	5,446	-
Debt extinguishment	(4,824)	-
<b>Total Other Expense</b>	(2,626)	(394)
<b>(Loss) Income Before Taxes</b>	(31,124)	(451)
<b>Income Tax (Benefit) Expense</b>	991	(371)
<b>Net (Loss) Income</b>	\$ (32,115)	\$ (80)
(Loss) Earnings Per Share- Basic	\$ (0.75)	\$ (0.00)
(Loss) Earnings Per Share- Diluted	\$ (0.75)	\$ (0.00)
Weighted Average Number of Shares- Basic	42,948,026	36,102,440
Weighted Average Number of Shares- Diluted	42,948,026	36,102,440

**Use of Non-GAAP Financial Measures**

The Company provides non-GAAP financial measures including EBITDA and Adjusted EBITDA as a supplement to GAAP financial information to enhance the overall understanding of the Company's financial performance and to assist investors in evaluating the Company's results of operations, period over period. Adjusted non-GAAP measures exclude significant unusual items. Investors should consider these non-GAAP measures as a supplement to, and not a substitute for financial information prepared on a GAAP basis.

**Adjusted EBITDA**

Adjusted EBITDA is considered a non-GAAP financial measure under the rules of the SEC because it excludes certain amounts included in net loss calculated in accordance with GAAP. Specifically, the Company calculates Adjusted EBITDA by GAAP net loss adjusted to exclude stock-based compensation expense, business combination related expenses and other one-time, non-recurring items.

The Company has included Adjusted EBITDA because it is a key measure used by Dragonfly's management team to evaluate its operating performance, generate future operating plans, and make strategic decisions, including those relating to operating expenses. As such, the Company believes Adjusted EBITDA is helpful in highlighting trends in the ongoing core operating results of the business.

Adjusted EBITDA has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of net loss or other results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect the Company's cash expenditures, future requirements for capital expenditures, or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, the Company's working capital needs;
- Adjusted EBITDA does not reflect the Company's tax expense or the cash requirements to pay taxes;
- although amortization and depreciation are non-cash charges, the assets being amortized and depreciated will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA should not be construed as an inference that the Company's future results will be unaffected by unusual or non-recurring items for which the Company may adjust in historical periods; and
- other companies in the industry may calculate Adjusted EBITDA differently than the Company does, limiting its usefulness as a comparative measure.

#### Reconciliations of Non-GAAP Financial Measures

##### *EBITDA and Adjusted EBITDA*

The following table presents reconciliations of EBITDA and Adjusted EBITDA to the most directly comparable GAAP financial measure for each of the periods indicated.

<b>Dragonfly Energy Holdings Corp.</b>		
<b>Years Ended December 31, 2022 and 2021</b>		
<b>(in thousands, except share and per share data)</b>		
	<b>2022</b>	<b>2021</b>
<b>EBITDA Calculation</b>		
Net (Loss) Income	\$ (39,571)	\$ 4,338
Plus: Interest	6,945	518
Plus: Taxes	(709)	1,611
Plus: Depreciation & Amortization	891	617
<b>EBITDA</b>	<b>\$ (32,444)</b>	<b>\$ 7,084</b>
<b>Adjustments to EBITDA</b>		
Plus: Stock Based Compensation	2,467	734
Plus: ERP Implementation	-	233
Plus: Promissory Note Forgiveness	469	-
Plus: Loss on Disposal of Assets	56	124
Plus: Separation Agreement	1,197	-
Plus: Debt-Extinguishment	4,824	-
Plus: Change in fair market value of warrant liability	(5,446)	-
Plus: Business Combination Expenses	21,337	295
<b>Adjusted EBITDA</b>	<b>\$ (7,540)</b>	<b>\$ 8,470</b>

<b>Dragonfly Energy Holdings Corp.</b>		
<b>Statement of Operations</b>		
<b>Quarters Ended December 31, 2022 and 2021</b>		
<b>(in thousands, except share and per share data)</b>		
	<b>Unaudited 2022</b>	<b>2021</b>
<b>EBITDA Calculation</b>		
Net (Loss) Income	\$ (32,115)	\$ (80)
Plus: Interest	3,288	394
Plus: Taxes	991	(371)
Plus: Depreciation & Amortization	243	185
<b>EBITDA</b>	<b>\$ (27,593)</b>	<b>\$ 128</b>
<b>Adjustments to EBITDA</b>		
Plus: Stock Based Compensation	1,312	185
Plus: ERP Implementation	-	32
Plus: Loss on Disposal of Assets	(6)	-
Plus: Separation Agreement	1,197	185
Plus: Debt-Extinguishment	4,824	-
Plus: Change in fair market value of warrant liability	(5,446)	-

Plus: Business Combination Expenses  
Adjusted EBITDA

	<u>21,337</u>		<u>295</u>
	\$ (4,375)		\$ 825

Source: Dragonfly Energy Holdings Corp.