

Dragonfly Energy Holdings Corp.
Unaudited Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	As of	
	March 31, 2023	December 31, 2022
Current Assets		
Cash	\$ 15,791	\$ 17,781
Accounts receivable, net of allowance for doubtful accounts	2,969	1,444
Inventory	51,812	49,846
Prepaid expenses	1,820	1,624
Prepaid inventory	1,703	2,002
Prepaid income tax	525	525
Other current assets	396	267
Total Current Assets	75,016	73,489
Property and Equipment		
Property and Equipment, Net	11,288	10,760
Operating lease right of use asset	4,205	4,513
Total Assets	\$ 90,509	\$ 88,762
Current Liabilities		
Accounts payable	\$ 18,824	\$ 13,475
Accrued payroll and other liabilities	8,199	6,295
Customer deposits	418	238
Uncertain tax position liability	128	128
Notes payable, net of deferred financing fees	20,699	19,242
Notes payable, related party	1,000	-
Operating lease liability, current portion	1,215	1,188
Total Current Liabilities	50,483	40,566
Long-Term Liabilities		
Warrant liabilities	4,141	32,831
Accrued expenses, long-term	361	492
Operating lease liability, net of current portion	3,209	3,541
Total Long-Term Liabilities	7,711	36,864
Total Liabilities	58,194	77,430
Equity		
Common stock, 170,000,000 shares at \$0.0001 par value, authorized, 45,795,502 and 43,272,728 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively		
Preferred stock, 5,000,000 shares at \$0.0001 par value, authorized, no shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	5	4
Additional paid in capital	54,551	38,461
Retained deficit	(22,241)	(27,133)
Total Equity	32,315	11,332
Total Liabilities and Shareholders' Equity	\$ 90,509	\$ 88,762

Dragonfly Energy Holdings Corp.
Unaudited Condensed Interim Consolidated Statement of Operations
For the Three Months Ended March 31, 2023, and 2022
(in thousands, except share and per share data)

	2023	2022
Net Sales	\$ 18,791	\$ 18,303
Cost of Goods Sold	14,048	12,808
Gross Profit	4,743	5,495
Operating Expenses		

Research and development	880	339
General and administrative	9,495	3,626
Selling and marketing	4,184	3,092
Total Operating Expenses	14,559	7,057
(Loss) Income From Operations	(9,816)	(1,562)
Other Income (Expense)		
Interest expense	(3,815)	(1,263)
Change in fair market value of warrant liability	18,523	-
Total Other Income (Expense)	14,708	(1,263)
Income (Loss) Before Taxes	4,892	(2,825)
Income Tax (Benefit) Expense	-	(527)
Net Income (Loss)	\$ 4,892	\$ (2,298)
Income (Loss) Per Share- Basic	\$ 0.11	\$ (0.06)
Income (Loss) Per Share- Diluted	\$ 0.10	\$ (0.06)
Weighted Average Number of Shares- Basic	45,104,515	36,542,944
Weighted Average Number of Shares- Diluted	48,455,996	36,542,944

Dragonfly Energy Holdings Corp.
Unaudited Condensed Consolidated Statement of Cash Flows
For the Three Months Ended March 31, 2023, and 2022
(in thousands)

	2023	2022
Cash flows from Operating Activities		
Net Income (Loss)	\$ 4,892	\$ (2,298)
Adjustments to Reconcile Net Income (Loss) to Net Cash Used in Operating Activities		
Stock based compensation	4,487	288
Amortization of debt discount	219	613
Change in fair market value of warrant liability	(18,523)	-
Deferred tax liability	-	(527)
Non-cash interest expense (paid-in-kind)	1,238	-
Provision for doubtful accounts	52	-
Depreciation and amortization	297	192
Loss on disposal of property and equipment	116	62
Changes in Assets and Liabilities		
Accounts receivable	(1,577)	(1,217)
Inventories	(1,966)	(5,946)
Prepaid expenses	(196)	(502)
Prepaid inventory	299	2,425
Other current assets	(129)	(637)
Other assets	308	274
Income taxes payable	-	(11)
Accounts payable and accrued expenses	6,465	(4,119)
Customer deposits	180	293
Total Adjustments	(8,730)	(8,812)
Net Cash Used in Operating Activities	(3,838)	(11,110)
Cash Flows From Investing Activities		
Purchase of property and equipment	(589)	(4,524)
Net Cash Used in Investing Activities	(589)	(4,524)
Cash Flows From Financing Activities		
Proceeds from public offering, net	597	-
Proceeds from note payable, related party	1,000	-
Proceeds from exercise of public warrants	747	-
Proceeds from exercise of options	93	111

Net Cash Provided by Financing Activities	2,437	111
Net (Decrease) / Increase in Cash and Restricted Cash	(1,990)	(15,523)
Beginning cash and restricted cash	17,781	28,630
Ending cash and restricted cash	\$ 15,791	\$ 13,107

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.

Dragonfly Energy Holdings Corp.		
For the Three Months Ended March 31, 2023, and 2022		
(in thousands, except share and per share data)		
	2023	2022
EBITDA Calculation		
Net Income	\$ 4,892	\$ (2,298)
Interest Expense	3,815	1,263
Taxes	-	(527)
Depreciation and Amortization	297	192
EBITDA	\$ 9,004	\$ (1,370)
Adjustments to EBITDA		
Stock Based Compensation	4,487	288
ERP Implementation	-	233
Promissory Note Forgiveness	-	469
Change in fair market value of warrant liability	(18,523)	-
Adjusted EBITDA	\$ (5,032)	\$ (380)

Source: Dragonfly Energy Holdings Corp.