

**Dragonfly Energy Holdings Corp.**  
**Unaudited Condensed Interim Consolidated Statements of Operations**  
(U.S. Dollars in Thousands, except share and per share data)

	<b>Three Months Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>Net Sales</b>	<b>\$ 19,274</b>	<b>\$ 21,622</b>
<b>Cost of Goods Sold</b>	<b>15,176</b>	<b>14,594</b>
<b>Gross Profit</b>	<b>4,098</b>	<b>7,028</b>
<b>Operating Expenses</b>		
Research and development	1,067	859
General and administrative	7,614	3,816
Selling and marketing	3,808	2,881
<b>Total Operating Expenses</b>	<b>12,489</b>	<b>7,556</b>
Loss From Operations	(8,391)	(528)
<b>Other (Expense) Income</b>		
Interest expense	(4,113)	(1,228)
Change in fair market value of warrant liability	804	-
<b>Total Other (Expense) Income</b>	<b>(3,309)</b>	<b>(1,228)</b>
<b>Loss Before Taxes</b>	<b>(11,700)</b>	<b>(1,756)</b>
<b>Income Tax (Benefit) Expense</b>	<b>-</b>	<b>(287)</b>
<b>Net Loss</b>	<b>\$ (11,700)</b>	<b>\$ (1,469)</b>
Loss Per Share- Basic	\$ (0.25)	\$ (0.04)
Loss Per Share- Diluted	\$ (0.25)	\$ (0.04)
Weighted Average Number of Shares- Basic	47,418,269	36,616,430
Weighted Average Number of Shares- Diluted	47,418,269	36,616,430

**Dragonfly Energy Holdings Corp.**  
**Unaudited Condensed Interim Consolidated Statements of Operations**  
(U.S. Dollars in Thousands, except share and per share data)

	<b>Six Months Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>Net Sales</b>	<b>\$ 38,065</b>	<b>\$ 39,925</b>
<b>Cost of Goods Sold</b>	<b>29,224</b>	<b>27,402</b>
<b>Gross Profit</b>	<b>8,841</b>	<b>12,523</b>
<b>Operating Expenses</b>		
Research and development	1,947	1,198
General and administrative	17,109	7,442
Selling and marketing	7,992	5,973
<b>Total Operating Expenses</b>	<b>27,048</b>	<b>14,613</b>
Loss From Operations	(18,207)	(2,090)
<b>Other (Expense) Income</b>		
Interest expense	(7,928)	(2,491)
Change in fair market value of warrant liability	19,327	-
<b>Total Other (Expense) Income</b>	<b>11,399</b>	<b>(2,491)</b>

<b>Loss Before Taxes</b>	(6,808)	(4,581)
<b>Income Tax (Benefit) Expense</b>	-	(814)
<b>Net Loss</b>	<b>\$ (6,808)</b>	<b>\$ (3,767)</b>
Loss Per Share- Basic	\$ (0.15)	\$ (0.10)
Loss Per Share- Diluted	\$ (0.15)	\$ (0.10)
Weighted Average Number of Shares- Basic	46,263,591	36,579,990
Weighted Average Number of Shares- Diluted	46,263,591	36,579,990

**Dragonfly Energy Holdings Corp.**  
**Unaudited Condensed Consolidated Balance Sheets**  
(U.S. Dollars in Thousands, except share and per share data)

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Current Assets</b>		
Cash	\$ 32,952	\$ 17,781
Accounts receivable, net of allowance for credit losses	2,172	1,444
Inventory	44,198	49,846
Prepaid expenses	1,199	1,624
Prepaid inventory	2,942	2,002
Prepaid income tax	529	525
Other current assets	239	267
<b>Total Current Assets</b>	<b>84,231</b>	<b>73,489</b>
<b>Property and Equipment</b>		
Machinery and equipment	15,932	10,214
Office furniture and equipment	275	275
Leasehold improvements	1,727	1,709
Vehicle	33	195
<b>Total</b>	<b>17,967</b>	<b>12,393</b>
Less accumulated depreciation and amortization	(2,180)	(1,633)
Property and Equipment, Net	15,787	10,760
Operating lease right of use asset	3,912	4,513
<b>Total Assets</b>	<b>\$ 103,930</b>	<b>\$ 88,762</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 19,990	\$ 13,475
Accrued payroll and other liabilities	9,758	6,295
Customer deposits	152	238
Uncertain tax position liability	128	128
Notes payable, current portion, net of deferred financing fees	22,372	19,242
Operating lease liability, current portion	1,239	1,188
<b>Total Current Liabilities</b>	<b>53,639</b>	<b>40,566</b>
<b>Long-Term Liabilities</b>		
Warrant liabilities	14,637	32,831
Accrued expenses, long-term	551	492
Operating lease liability, net of current portion	2,890	3,541
<b>Total Long-Term Liabilities</b>	<b>18,078</b>	<b>36,864</b>
<b>Total Liabilities</b>	<b>71,717</b>	<b>77,430</b>
<b>Equity</b>		
Common stock, 170,000,000 shares at \$0.0001 par value, authorized, 58,504,541 and 43,272,728 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	6	4
Preferred stock, 5,000,000 shares at \$0.0001 par value, authorized, no shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	-	-
Additional paid in capital	66,148	38,461
Retained deficit	(33,941)	(27,133)
<b>Total Equity</b>	<b>32,213</b>	<b>11,332</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 103,930</b>	<b>\$ 88,762</b>

**Dragonfly Energy Holdings Corp.**  
**Unaudited Condensed Consolidated Statement of Cash Flows**  
(U.S. Dollars in Thousands)

	<b>Six Months Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>Cash Flows From Operating Activities</b>		
Net Loss	\$ (6,808)	\$ (3,767)
Adjustments to Reconcile Net Loss to Net Cash		
Used in Operating Activities		
Stock based compensation	5,441	719
Amortization of debt discount	620	1,196
Change in fair market value of warrant liability	(19,327)	-
Deferred tax liability	-	(819)
Non-cash interest expense (paid-in-kind)	2,510	-
Provision for doubtful accounts	93	-
Depreciation and amortization	593	389
Loss on disposal of property and equipment	116	62
Changes in Assets and Liabilities		
Accounts receivable	(821)	(3,876)
Inventories	5,648	(15,141)
Prepaid expenses	425	(1,236)
Prepaid inventory	(940)	4,308
Other current assets	28	(1,962)
Other assets	601	551
Income taxes payable	(4)	(973)
Accounts payable and accrued expenses	6,272	820
Customer deposits	(86)	(183)
Total Adjustments	1,169	(16,145)
<b>Net Cash Used in Operating Activities</b>	<b>(5,639)</b>	<b>(19,912)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(2,571)	(4,819)
<b>Net Cash Used in Investing Activities</b>	<b>(2,571)</b>	<b>(4,819)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from public offering, net	21,640	-
Proceeds from public offering (ATM), net	671	-
Proceeds from note payable, related party	1,000	-
Repayment of note payable, related party	(1,000)	-
Proceeds from exercise of public warrants	747	-
Proceeds from exercise of options	323	200
<b>Net Cash Provided by Financing Activities</b>	<b>23,381</b>	<b>200</b>
Net Increase (Decrease) in Cash	15,171	(24,531)
Beginning cash	17,781	28,630
<b>Ending cash</b>	<b>\$ 32,952</b>	<b>\$ 4,099</b>

**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.**  
Reconciliation of GAAP to Non-GAAP Measures (Unaudited)  
(U.S. Dollars in Thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net Loss	\$ (11,700)	\$ (1,469)	\$ (6,808)	\$ (3,767)
Interest Expense	4,113	1,228	7,928	2,491
Taxes	-	(287)	-	(814)
Depreciation and Amortization	296	272	593	389
EBITDA	\$ (7,291)	\$ (256)	\$ 1,713	\$ (1,701)
Adjusted for:				
Stock Based Compensation <sup>(1)</sup>	954	431	5,441	719
Separation Agreement <sup>(2)</sup>	720	-	720	-
June Offering Costs <sup>(3)</sup>	904	-	904	-
Promissory Note Forgiveness <sup>(4)</sup>	-	-	-	469
Change in fair market value of warrant liability <sup>(5)</sup>	(804)	-	(19,327)	-
<b>Adjusted EBITDA</b>	<b>\$ (5,517)</b>	<b>\$ 175</b>	<b>\$ (10,549)</b>	<b>\$ (513)</b>

(1) Stock-Based Compensation is comprised of costs associated with option and RSU grants made to our employees, consultants and board members.

(2) Separation Agreement is comprised of \$720 in cash severance associated with the separation agreement dated April 26, 2023 between us and our former Chief Legal Officer.

(3) June Offering Costs is comprised of fees and expenses, including legal, accounting, and other expenses associated with our secondary offering.

(4) Promissory Note Forgiveness is comprised of the loan that was forgiven, prior to the Business Combination, in connection with the promissory note, with a maturity date of March 1, 2026, between us and John Marchetti, our former Chief Financial Officer.

(5) Change in fair market value of warrant liability represents the change in fair value January 1, 2023 through June 30, 2023.

Source: Dragonfly Energy Holdings Corp.

