

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

	September 30, 2023	December 31, 2022
Current Assets		
Cash	\$ 13,235	\$ 17,781
Accounts receivable, net of allowance for credit losses	4,336	1,444
Inventory	41,907	49,846
Prepaid expenses	823	1,624
Prepaid inventory	2,074	2,002
Prepaid income tax	529	525
Other current assets	118	267
Total Current Assets	63,022	73,489
Property and Equipment		
Machinery and equipment	16,337	10,214
Office furniture and equipment	275	275
Leasehold improvements	1,727	1,709
Vehicle	33	195
Total	18,372	12,393
Less accumulated depreciation and amortization	(2,496)	(1,633)
Property and Equipment, Net	15,876	10,760
Operating lease right of use asset	3,615	4,513
Total Assets	\$ 82,513	\$ 88,762
Current Liabilities		
Accounts payable	\$ 9,889	\$ 13,475
Accrued payroll and other liabilities	10,788	6,247
Customer deposits	217	238
Uncertain tax position liability	128	128
Notes payable, current portion, net of deferred financing fees	18,700	19,242
Operating lease liability, current portion	1,264	1,188
Financing lease liability, current portion	36	10
Total Current Liabilities	41,022	40,528
Long-Term Liabilities		
Warrant liabilities	14,165	32,831
Accrued expenses, long-term	351	492
Operating lease liability, net of current portion	2,565	3,541
Financing lease liability, net of current portion	75	38
Total Long-Term Liabilities	17,156	36,902
Total Liabilities	58,178	77,430
Equity		
Common stock, 170,000,000 shares at \$0.0001 par value, authorized, 58,880,712 and 43,272,728 shares issued and outstanding as of September 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 September 30, 2023 and December 31, 2022, respectively	-	-
Additional paid in capital	68,293	38,461
Retained deficit	(43,964)	(27,133)
Total Equity	24,335	11,332
Total Liabilities and Shareholders' Equity	\$ 82,513	\$ 88,762

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

	Three Months Ended	
	September 30, 2023	September 30, 2022
Net Sales	\$ 15,889	\$ 26,117
Cost of Goods Sold	11,317	19,079
Gross Profit	4,572	7,038

Operating Expenses		
Research and development	1,385	753
General and administrative	6,005	6,336
Selling and marketing	3,083	3,358
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Total Operating Expenses	10,473	10,447
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Loss From Operations	(5,901)	(3,409)
Other (Expense) Income		
Interest expense	(3,977)	(1,166)
Change in fair market value of warrant liability	(145)	-
Total Other (Expense) Income	(4,122)	(1,166)
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Loss Before Taxes	(10,023)	(4,575)
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Income Tax (Benefit) Expense	-	(886)
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Net Loss	\$ (10,023)	\$ (3,689)
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Loss Per Share- Basic	\$ (0.17)	\$ (0.10)
Loss Per Share- Diluted	\$ (0.17)	\$ (0.10)
Weighted Average Number of Shares- Basic	58,736,013	38,129,422
Weighted Average Number of Shares- Diluted	58,736,013	38,129,422

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

	Nine Months Ended	
	September 30, 2023	September 30, 2022
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Net Sales	\$ 53,954	\$ 66,042
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Cost of Goods Sold	40,541	46,481
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Gross Profit	13,413	19,561
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Operating Expenses		
Research and development	3,332	1,951
General and administrative	23,114	13,778
Selling and marketing	11,075	9,331
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Total Operating Expenses	37,521	25,060
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Loss From Operations	(24,108)	(5,499)
Other (Expense) Income		
Interest expense	(11,905)	(3,657)
Change in fair market value of warrant liability	19,182	-
Total Other (Expense) Income	7,277	(3,657)
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Loss Before Taxes	(16,831)	(9,156)
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Income Tax (Benefit) Expense	-	(1,700)
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Net Loss	\$ (16,831)	\$ (7,456)
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Loss Per Share- Basic	\$ (0.34)	\$ (0.20)
Loss Per Share- Diluted	\$ (0.34)	\$ (0.20)
Weighted Average Number of Shares- Basic	50,166,320	37,098,990
Weighted Average Number of Shares- Diluted	50,166,320	37,098,990

Dragonfly Energy Holdings Corp.
Unaudited Condensed Consolidated Statement of Cash Flows

Nine Months Ended

	September 30, 2023	September 30, 2022
Cash Flows From Operating Activities		
Net Loss	\$ (16,831)	\$ (7,456)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities		
Stock based compensation	6,387	1,155
Amortization of debt discount	995	1,783
Change in fair market value of warrant liability	(19,182)	-
Deferred tax liability	-	(1,707)
Non-cash interest expense (paid-in-kind)	3,738	-
Provision for doubtful accounts	147	-
Depreciation and amortization	909	648
Loss on disposal of property and equipment	116	62
Changes in Assets and Liabilities		
Accounts receivable	(3,039)	(3,037)
Inventories	7,939	(12,360)
Prepaid expenses	801	(1,259)
Prepaid inventory	(72)	3,732
Other current assets	149	(2,114)
Other assets	898	831
Income taxes payable	(4)	(927)
Accounts payable and accrued expenses	343	(3,915)
Customer deposits	(21)	(147)
Total Adjustments	104	(17,255)
Net Cash Used in Operating Activities	(16,727)	(24,711)
Cash Flows From Investing Activities		
Purchase of property and equipment	(6,507)	(6,065)
Net Cash Used in Investing Activities	(6,507)	(6,065)
Cash Flows From Financing Activities		
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)	-
Repayment of note payable	(5,275)	-
Proceeds from exercise of Public Warrants	747	-
Proceeds from exercise of options	359	707
Proceeds from stock purchase agreement	-	15,000
Proceeds from exercise of Investor Warrants	546	-
Net Cash Provided by Financing Activities	18,688	15,707
Net Increase (Decrease) in Cash	(4,546)	(15,069)
Beginning cash	17,781	28,630
Ending cash	\$ 13,235	\$ 13,561

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		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net Loss	\$ (10,023)	\$ (3,689)	\$ (16,831)	\$ (7,456)
Interest Expense	3,977	1,166	11,905	3,657
Taxes	-	(886)	-	(1,700)
Depreciation and Amortization	316	259	909	648
EBITDA	\$ (5,730)	\$ (3,150)	\$ (4,017)	\$ (4,851)
<i>Adjusted for:</i>				
Stock Based Compensation ⁽¹⁾	946	436	6,387	1,155
Separation Agreement ⁽²⁾	-	-	720	-
June Offering Costs ⁽³⁾	-	-	904	-
Promissory Note Forgiveness ⁽⁴⁾	-	-	-	469
Change in fair market value of warrant liability ⁽⁵⁾	145	-	(19,182)	-
Adjusted EBITDA	\$ (4,639)	\$ (2,714)	\$ (15,188)	\$ (3,227)

- (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 and current Senior Vice President, Operations.
- (5) Change in fair market value of warrant liability represents the change in fair value for the three and nine month period ended September 30, 2023.

Source: Dragonfly Energy Holdings Corp.