

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

	December 31, 2023	December 31, 2022
Current Assets		
Cash and cash equivalents	\$12,713	\$17,781
Accounts receivable, net of allowance for credit losses	1,639	1,444
Inventory	38,778	50,189
Prepaid expenses	772	1,624
Prepaid inventory	1,381	2,002
Prepaid income tax	519	525
Other current assets	118	267
Total Current Assets	55,920	73,832
Property and Equipment		
Machinery and equipment	16,714	10,214
Office furniture and equipment	319	275
Leasehold improvements	1,727	1,709
Vehicle	33	195
Total	18,793	12,393
Less accumulated depreciation	(2,824)	(1,633)
Property and Equipment	15,969	10,760
Operating lease right of use asset, net	3,315	4,513
Total Assets	\$75,204	\$89,105
Current Liabilities		
Accounts payable	\$10,258	\$13,475
Accrued payroll and other liabilities	7,107	6,250
Accrued tariffs	1,713	932
Customer deposits	201	238
Uncertain tax position liability	91	128
Notes payable, current portion, net of debt issuance costs	19,683	19,242
Operating lease liability, current portion	1,288	1,188
Financing lease liability, current portion	36	10
Total Current Liabilities	40,377	41,463
Long-Term Liabilities		
Warrant liabilities	4,463	32,831
Accrued expenses-long term	152	492
Operating lease liability, net of current portion	2,234	3,541
Financing lease liability, net of current portion	66	35
Total Long-Term Liabilities	6,915	36,899
Total Liabilities	47,292	78,362
Stockholders' Equity		
Preferred stock, 5,000,000 shares at \$0.0001 par value, authorized, no shares issued and outstanding as of December 31, 2023 and 2022, respectively	-	-
Common stock, 250,000,000 shares at \$0.0001 par value, authorized, 60,260,282 and 43,272,728 shares issued and outstanding as of December 31, 2023 and 2022, respectively	6	4
Additional paid in capital	69,445	38,461
Accumulated Deficit	(41,539)	(27,722)
Total Stockholders' Equity	27,912	10,743
Total Liabilities and Stockholders' Equity	\$75,204	\$89,105

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		Year Ended Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net Sales	\$ 10,438	\$ 20,209	\$ 64,392	\$ 86,251
Cost of Goods Sold	8,405	16,152	48,946	62,633
Gross Profit	2,033	4,057	15,446	23,618
Operating Expenses				
Research and development	531	813	3,863	2,764
General and administrative	3,275	27,788	26,389	41,566

Selling and marketing	1,548	4,340	12,623	13,671
Total Operating Expenses	5,354	32,941	42,875	58,001
Loss From Operations	(3,321)	(28,884)	(27,429)	(34,383)
Other Income (Expense)				
Other income (expense)	19	40	19	40
Interest expense, net	(4,110)	(3,322)	(16,015)	(6,979)
Change in fair market value of warrant liability	10,400	5,446	29,582	5,446
Debt extinguishment	-	(4,824)	-	(4,824)
Total Other Income (Expense)	6,309	(2,660)	13,586	(6,317)
Loss Before Taxes	2,988	(31,544)	(13,843)	(40,700)
Income Tax Benefit	(26)	991	(26)	(709)
Net Loss	\$ 3,014	\$ (32,535)	\$ (13,817)	\$ (39,991)
Income (Loss) Per Share- Basic	\$ 0.05	\$ (0.76)	\$ (0.26)	\$ (1.04)
Income (Loss) Per Share- Diluted	\$ 0.05	\$ (0.76)	\$ (0.26)	\$ (1.04)
Weighted Average Number of Shares- Basic	59,590,032	42,948,026	52,786,481	38,565,307
Weighted Average Number of Shares- Diluted	60,597,708	42,948,026	52,786,481	38,565,307

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

	Year Ended	
	December 31, 2023	December 31, 2022
Cash Flows From Operating Activities		
Net Loss	\$ (13,817)	\$ (39,991)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities		
Stock based compensation	6,710	2,467
Debt extinguishment	-	4,824
Assumption of warrant liability	-	1,990
Amortization of debt discount	1,470	1,822
Change in fair market value of warrant liability	(29,582)	(5,446)
Deferred tax liability	-	(453)
Non-cash interest expense (paid-in-kind)	4,938	1,192
Provision for credit losses	114	108
Depreciation	1,237	891
Loss on disposal of property and equipment	116	56
Write-off of prepaid inventory	596	-
Changes in Assets and Liabilities		
Accounts receivable	(309)	(769)
Inventories	11,411	(22,732)
Prepaid expenses	852	(1,467)
Prepaid inventory	25	5,459
Other current assets	149	1,520
Other assets	1,198	1,196
Income taxes payable	6	(1,156)
Accounts payable and accrued expenses	(3,527)	4,428
Accrued tariffs	781	433
Uncertain tax position liability	(37)	128
Customer deposits	(37)	(196)
Total Adjustments	(3,889)	(5,705)
Net Cash Used in Operating Activities	(17,706)	(45,696)
Cash Flows From Investing Activities		
Proceeds from disposal of property and equipment	-	35
Purchase of property and equipment	(6,885)	(6,862)
Net Cash Used in Investing Activities	(6,885)	(6,827)
Cash Flows From Financing Activities		
Proceeds from public offering	24,177	-
Payments from public offering costs	(1,258)	-
Proceeds from note payable, related party	1,000	-
Repayment of note payable, related party	(1,000)	-
Proceeds from term loan	-	75,000
Repayment of note payable	(5,275)	(45,000)

Proceeds from exercise of public warrants	747	-
Payment of debt issuance costs	-	(4,032)
Proceeds from exercise of options	586	706
Proceeds from stock purchase agreement	-	15,000
Proceeds from exercise of investor warrants	546	-
Net Cash Provided by Financing Activities	19,523	41,674
Net Decrease in cash and cash equivalents	(5,068)	(10,849)
Cash and cash equivalents - beginning of year	17,781	28,630
Cash and cash equivalents - end of year	\$ 12,713	\$ 17,781

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		Three Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net (loss)	\$ 3,014	\$ (32,535)	\$ (13,817)	\$ (39,991)
Interest Expense	4,110	3,322	16,015	6,979
Taxes	(26)	991	(26)	(709)
Depreciation	328	243	1,237	891
EBITDA	\$ 7,426	\$ (27,979)	\$ 3,409	\$ (32,830)
<i>Adjusted for:</i>				
Stock Based Compensation ⁽¹⁾	323	1,312	6,710	2,467
June 2023 Offering Costs ⁽²⁾	-	-	904	-
Promissory Note Forgiveness ⁽³⁾	-	-	-	469
Loss on Disposal of Assets	596	56	712	56
Separation Agreement ⁽⁴⁾	-	1,197	720	1,197
Business Combination Expenses ⁽⁵⁾	-	21,337	-	21,337
Debt Extinguishment ⁽⁶⁾	-	4,824	-	4,824
Change in fair market value of warrant liability ⁽⁷⁾	(10,400)	(5,446)	(29,582)	(5,446)
Adjusted EBITDA	\$ (2,055)	\$ (4,699)	\$ (17,127)	\$ (7,926)

(1) Stock-Based Compensation is comprised of costs associated with option and RSU grants made to the Company's employees, consultants and board

members.

- (2) June 2023 Offering Costs related to the warrant liability are comprised of fees and expenses, including legal, accounting and other expenses associated with this offering.
- (3) 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 the Company and John Marchetti, its Senior Vice President of Operations and former Chief Financial Officer.
- (4) Separation Agreement in 2022 is comprised of \$1.2 million in cash severance associated with the Separation Agreement dated October 25, 2022, as amended on November 14, 2022 between the Company and Sean Nichols, its former Chief Operating Officer. Separation Agreement in 2023 is comprised of \$720 in cash severance associated with the Separation Agreement dated April 26, 2023, between the Company and its former Chief Legal Officer.
- (5) Business Combination Expenses is comprised of fees and expenses, including legal, accounting and other expenses associated with the Business Combination.
- (6) Debt Extinguishment expenses are comprised of expenses incurred in connection with the early debt repayment of the Series 2021-6 Notes that occurred in conjunction with the Business Combination.
- (7) Change in fair market value of warrant liability represents the change in fair value from the date the warrants were issued through December 31, 2023.

Source: Dragonfly Energy Holdings Corp.