

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

	As of	
	September 30, 2024	December 31, 2023
	Unaudited	
Current Assets		
Cash and cash equivalents	\$ 8,019	\$ 12,713
Accounts receivable, net of allowance for credit losses	3,727	1,639
Inventory	24,013	38,778
Prepaid expenses	734	772
Prepaid inventory	1,746	1,381
Prepaid income tax	345	519
Other current assets	753	118
Total Current Assets	<u>39,337</u>	<u>55,920</u>
Property and Equipment		
Property and Equipment, Net	23,716	15,969
Operating lease right of use asset	20,383	3,315
Other assets	445	-
Total Assets	\$ 83,881	\$ 75,204
Current Liabilities		
Accounts payable	\$ 10,128	\$ 10,258
Accrued payroll and other liabilities	8,672	7,107
Accrued tariffs	1,881	1,713
Customer deposits	189	201
Deferred revenue, current portion	1,000	-
Uncertain tax position liability	91	91
Notes payable, current portion, net of debt issuance costs	24,398	19,683
Operating lease liability, current portion	2,867	1,288
Financing lease liability, current portion	38	36
Total Current Liabilities	<u>49,264</u>	<u>40,377</u>
Long-Term Liabilities		
Deferred revenue, net of current portion	3,833	-
Warrant liabilities	7,714	4,463
Accrued expenses, long-term	-	152
Operating lease liability, net of current portion	23,330	2,234
Financing lease liability, net of current portion	37	66
Total Long-Term Liabilities	<u>34,914</u>	<u>6,915</u>
Total Liabilities	84,178	47,292
Stockholders' (Deficit) Equity		
Preferred stock, 5,000,000 shares at \$0.0001 par value, authorized, no shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	-	-
Common stock, 250,000,000 shares at \$0.0001 par value, authorized, 62,767,982 and 60,260,282 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	6	6
Additional paid in capital	72,009	69,145
Accumulated deficit	(72,312)	(41,539)
Total Stockholders' (Deficit) Equity	(297)	27,912
Total Liabilities and Stockholders' (Deficit) Equity	\$ 83,881	\$ 75,204

Dragonfly Energy Holdings Corp.
Unaudited Condensed Interim Consolidated Statement of Operations
For the Three Months Ended September 30,
(in thousands, except share and per share data)

	2024	2023
Net Sales	\$ 12,720	\$ 15,889
Cost of Goods Sold	9,850	11,291
Gross Profit	2,870	4,598
Operating Expenses		
Research and development	1,631	1,385
General and administrative	4,361	6,005
Selling and marketing	2,904	3,083

Total Operating Expenses	8,896	10,473
Loss From Operations	(6,026)	(5,875)
Other (Expense)		
Interest expense, net	(5,615)	(3,987)
Other Expense	(13)	-
Change in fair market value of warrant liability	4,875	(145)
Total Other (Expense)	(753)	(4,132)
Net Loss Before Taxes	(6,779)	(10,007)
Income Tax (Benefit) Expense	-	-
Net Loss	\$ (6,779)	\$ (10,007)
Net Loss Per Share- Basic & Diluted	\$ (0.11)	\$ (0.17)
Weighted Average Number of Shares- Basic & Diluted	62,328,555	58,736,013

Dragonfly Energy Holdings Corp.
Unaudited Condensed Consolidated Statement of Cash Flows
For the Nine Months Ended September 30,
(in thousands)

	2024	2023
Cash flows from Operating Activities		
Net Loss	\$ (30,773)	\$ (17,131)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities		
Stock based compensation	759	6,387
Amortization of debt discount	4,490	995
Change in fair market value of warrant liability	(3,130)	(19,182)
Non-cash interest expense (paid-in-kind)	6,590	3,738
Provision for credit losses	40	147
Depreciation and amortization	991	909
Amortization of right of use assets	1,585	898
Loss on disposal of property and equipment	-	116
Changes in Assets and Liabilities		
Accounts receivable	(2,128)	(3,039)
Inventories	14,765	7,939
Prepaid expenses	38	801
Prepaid inventory	(365)	(72)
Other current assets	(635)	149
Other assets	(445)	-
Income taxes payable	174	(4)
Accounts payable and accrued expenses	(1,657)	343
Accrued tariffs	168	300
Deferred revenue	4,833	-
Customer deposits	(12)	(21)
Total Adjustments	26,061	404
Net Cash Used in Operating Activities	(4,712)	(16,727)
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,691)	(6,507)
Net Cash Used in Investing Activities	(1,691)	(6,507)
(Continued)		
Cash Flows From Financing Activities		
Proceeds from public offering		21,640
Proceeds from public offering (ATM), net	1,705	671
Proceeds from note payable, related party	2,700	1,000
Repayment of note payable, related party	(2,700)	(1,000)
Repayment of note payable		(5,275)
Proceeds from exercise of public warrants	-	747
Proceeds from exercise of options	4	359
Proceeds from exercise of Investor Warrants		546
Net Cash Provided by Financing Activities	1,709	18,688
Net Decrease in Cash and cash equivalents	(4,694)	(4,546)

Cash and cash equivalents - beginning of period		12,713		17,781
Cash and cash equivalents - end of period	\$	8,019	\$	13,235
Supplemental Disclosures of Cash Flow Information:				
Cash paid for income taxes		-		237
Cash paid for interest	\$	4,782	\$	4,361
Supplemental Non-Cash Items				
Purchases of property and equipment, not yet paid	\$	2,460	\$	53
Recognition of right of use asset obtained in exchange for operating lease liability	\$	18,653	\$	-
Recognition of leasehold improvements obtained in exchange for operating lease liability	\$	4,683	\$	-
Recognition of warrant liability	\$	6,381	\$	13,762
Settlement of accrued liability for employee liability for employee stock purchase plan	\$	112	\$	-
Non-cash impact of cash exercise of liability classified warrants	\$	-	\$	617
Cashless exercise of liability classified warrants	\$	-	\$	12,629

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 EBITDA adjusted to exclude stock-based compensation expense and changes in fair market value of warrant liabilities.

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 September 30				
(in thousands, except share and per share data)				
		2024		2023
Net Loss Before Taxes	\$	(6,779)	\$	(10,007)
Interest Expense		5,615		3,987
Depreciation and Amortization		327		316
EBITDA	\$	(837)	\$	(5,704)
<i>Adjusted for EBITDA</i>				
Stock Based Compensation		256		946
Change in fair market value of warrant liability		(4,875)		145
Adjusted EBITDA	\$	(5,456)	\$	(4,613)

Source: Dragonfly Energy Holdings Corp.