

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **September 30, 2025**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____ to _____

Commission File Number: 001-40730

DRAGONFLY ENERGY HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

85-1873463

(IRS Employer
Identification No.)

12915 Old Virginia Road
Reno, Nevada

(Address of principal executive offices)

89521

(Zip Code)

(775) 622-3448

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001 per share	DFLI	The Nasdaq Capital Market
Redeemable Warrants, exercisable for common stock	DFLIW	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 12, 2025, there were 120,787,052 shares of the registrant's common stock, par value \$0.0001 per share, issued and outstanding.



DRAGONFLY ENERGY HOLDINGS CORP.
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DRAGONFLY ENERGY HOLDINGS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	September 30, 2025 Unaudited	December 31, 2024
Current Assets		
Cash and cash equivalents	\$ 3,838	\$ 4,849
Accounts receivable, net of allowance for credit losses	4,792	2,416
Inventory	22,718	21,716
Prepaid expenses	849	806
Prepaid inventory	1,237	1,362
Prepaid income tax	311	307
Assets held for sale	-	644
Other current assets	764	825
Total Current Assets	34,509	32,925
Property and Equipment		
Machinery and equipment	17,587	16,778
Office furniture and equipment	426	355
Leasehold improvements	7,563	9,103
Vehicle	33	33
Total	25,609	26,269
Less accumulated depreciation and amortization	(4,703)	(4,162)
Property and Equipment, Net	20,906	22,107
Operating lease right of use asset, net	17,977	19,737
Other assets	451	445
Total Assets	\$ 73,843	\$ 75,214
Current Liabilities		
Accounts payable	\$ 11,867	\$ 10,716
Accrued payroll and other liabilities	4,998	4,129
Accrued tariffs	1,591	1,915
Accrued settlement, current portion	2,125	750
Customer deposits	252	317
Deferred revenue, current portion	1,000	1,000
Uncertain tax position liability	55	55
Notes payable, current portion, net of debt issuance costs	877	-
Operating lease liability, current portion	2,868	2,926
Financing lease liability, current portion	42	47
Total Current Liabilities	25,675	21,855
Long-Term Liabilities		
Deferred revenue, net of current portion	2,833	3,583
Warrant liabilities	1,205	5,133
Accrued settlement, net of current portion	-	1,750
Notes payable, non current portion, net of debt issuance costs	44,546	29,646
Operating lease liability, net of current portion	21,128	22,588
Financing lease liability, net of current portion	33	63
Total Long-Term Liabilities	69,745	62,763
Total Liabilities	95,420	84,618
Commitments and Contingencies (See Note 5)		

The accompanying notes are an integral part of the consolidated financial statements.

DRAGONFLY ENERGY HOLDINGS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	September 30, 2025 Unaudited	December 31, 2024
Redeemable Preferred stock		
Preferred stock-Series A, 5,000 shares at \$0.0001 par value, authorized, no shares issued and outstanding as of September 30, 2025 and December 31, 2024	-	-
Stockholders' (Deficit)		
Preferred stock, 4,995,000 shares at \$0.0001 par value, authorized, no shares issued and outstanding as of September 30, 2025 and December 31, 2024	-	-
Common stock, 400,000,000 shares at \$0.0001 par value, authorized, 61,742,104 and 7,232,650 shares issued and outstanding as of September 30, 2025 and December 31, 2024, respectively	6	1
Additional paid in capital	85,472	72,749
Accumulated deficit	(107,055)	(82,154)
Total Stockholders' (Deficit)	(21,577)	(9,404)
Total Liabilities, Redeemable Preferred Stock and Stockholders' (Deficit)	\$ 73,843	\$ 75,214

The accompanying notes are an integral part of the consolidated financial statements.

DRAGONFLY ENERGY HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2025	2024	2025	2024
Net Sales	\$ 15,967	\$ 12,720	\$ 45,571	\$ 38,433
Cost of Goods Sold	<u>11,231</u>	<u>9,850</u>	<u>32,302</u>	<u>29,345</u>
Gross Profit	4,736	2,870	13,269	9,088
Operating Expenses				
Research and development	585	1,631	2,277	4,495
General and administrative	5,299	4,361	16,275	14,878
Selling and marketing	<u>2,630</u>	<u>2,904</u>	<u>7,690</u>	<u>8,329</u>
Total Operating Expenses	<u>8,514</u>	<u>8,896</u>	<u>26,242</u>	<u>27,702</u>
Loss From Operations	(3,778)	(6,026)	(12,973)	(18,614)
Other (Expense) Income				
Interest expense, net	(6,409)	(5,615)	(16,552)	(15,253)
Other expense	-	(13)	-	(36)
Change in fair market value of warrant liability	<u>(883)</u>	<u>4,875</u>	<u>4,624</u>	<u>3,130</u>
Total Other Expense	<u>(7,292)</u>	<u>(753)</u>	<u>(11,928)</u>	<u>(12,159)</u>
Net Loss Before Taxes	<u>(11,070)</u>	<u>(6,779)</u>	<u>(24,901)</u>	<u>(30,773)</u>
Income Tax Expense (Benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Loss	<u>\$ (11,070)</u>	<u>\$ (6,779)</u>	<u>\$ (24,901)</u>	<u>\$ (30,773)</u>
Loss Per Common Share- Basic & Diluted	<u>\$ (0.20)</u>	<u>\$ (0.98)</u>	<u>\$ (0.98)</u>	<u>\$ (4.53)</u>
Weighted Average Number of Common Shares - Basic & Diluted	<u>56,156,184</u>	<u>6,925,395</u>	<u>25,383,506</u>	<u>6,788,002</u>

The accompanying notes are an integral part of the consolidated financial statements.

DRAGONFLY ENERGY HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(IN THOUSANDS, EXCEPT SHARE DATA)

	Redeemable Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated (Deficit)	Total
	Shares	Amount	Shares	Amount			
Balance - January 1, 2025	-	\$ -	7,232,650	\$ 1	\$ 72,749	\$ (82,154)	\$ (9,404)
Net loss	-	-	-	-	-	(6,797)	(6,797)
Common stock issued in public offering (ATM), net of costs	-	-	23,160	-	63	-	63
Redeemable preferred stock issued, net	350	3,180	-	-	-	-	-
Shares issued for vested restricted stock units	-	-	21,945	-	-	-	-
Conversion of preferred to common	(30)	(273)	311,887	-	273	-	273
Stock compensation expense	-	-	-	-	220	-	220
Balance - March 31, 2025	320	2,907	7,589,642	1	73,305	(88,951)	(15,645)
Net loss	-	-	-	-	-	(7,034)	(7,034)
Share issuance under ESPP	-	-	87,506	-	73	-	73
Redeemable preferred stock issued, net	450	4,150	-	-	-	-	-
Shares issued for vested restricted stock units	-	-	64,343	-	-	-	-
Conversion of preferred to common	(634)	(5,812)	29,684,888	3	5,809	-	5,812
Stock compensation expense	-	-	-	-	190	-	190
Balance - June 30, 2025	136	1,245	37,426,379	4	79,377	(95,985)	(16,604)
Net loss	-	-	-	-	-	(11,070)	(11,070)
Common stock issued in public offering, net	-	-	21,980,000	2	4,682	-	4,684
Shares issued for vested restricted stock units	-	-	17,885	-	-	-	-
Conversion of preferred to common	(136)	(1,245)	2,317,840	-	1,245	-	1,245
Stock compensation expense	-	-	-	-	168	-	168
Balance - September 30, 2025	-	\$ -	61,742,104	\$ 6	\$ 85,472	\$ (107,055)	\$ (21,577)

The accompanying notes are an integral part of the consolidated financial statement.

DRAGONFLY ENERGY HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT) (CONTINUED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(IN THOUSANDS, EXCEPT SHARE DATA)

	Redeemable Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated (Deficit)	Total
	Shares	Amount	Shares	Amount			
Balance - January 1, 2024	-	\$ -	6,695,587	\$ 1	\$ 69,450	\$ (41,539)	\$ 27,912
Net loss	-	-	-	-	-	(10,367)	(10,367)
Stock compensation expense	-	-	-	-	266	-	266
Balance - March 31, 2024	-	-	6,695,587	1	69,716	(51,906)	17,811
Net loss	-	-	-	-	-	(13,627)	(13,627)
Common stock issued in public offering (ATM), net of cost	-	-	94,496	-	730	-	730
Share issuance under ESPP	-	-	27,197	-	112	-	112
Share cancellation	-	-	(49)	-	-	-	-
Exercise of stock options	-	-	972	-	3	-	3
Shares issued for vested restricted stock units	-	-	423	-	-	-	-
Stock compensation expense	-	-	-	-	237	-	237
Balance - June 30, 2024	-	-	6,818,626	1	70,798	(65,533)	5,266
Net loss	-	-	-	-	-	(6,779)	(6,779)
Common stock issued in public offering (ATM), net of cost	-	-	154,992	-	959	-	959
Exercise of stock options	-	-	260	-	1	-	1
Shares issued for vested restricted stock units	-	-	342	-	-	-	-
Stock compensation expense	-	-	-	-	256	-	256
Balance - September 30, 2024	-	\$ -	6,974,220	\$ 1	\$ 72,014	\$ (72,312)	\$ (297)

The accompanying notes are an integral part of the consolidated financial statements.

DRAGONFLY ENERGY HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(IN THOUSANDS)

	2025	2024
Cash flows from Operating Activities		
Net Loss	\$ (24,901)	\$ (30,773)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities		
Stock based compensation	578	759
Amortization of debt discount	5,240	4,490
Change in fair market value of warrant liability	(4,624)	(3,130)
Non-cash interest expense (paid-in kind)	11,233	6,590
Provision for credit losses	87	40
Depreciation and amortization	1,810	991
Amortization of right of use of assets	1,948	1,585
Loss on disposal of property and equipment	156	-
Loss on impairment of right-of-use assets	454	-
Changes in Assets and Liabilities		
Accounts receivable	(2,463)	(2,128)
Inventory	(1,002)	14,765
Prepaid expenses	(43)	38
Prepaid inventory	125	(365)
Other current assets	61	(635)
Other assets	(6)	(445)
Income taxes payable	(4)	174
Accounts payable and accrued expenses	3,780	(969)
Operating lease liabilities	(2,160)	(661)
Accrued tariffs	(324)	168
Accrued settlement	(375)	-
Deferred revenue	(750)	4,833
Customer deposits	(65)	(12)
Total Adjustments	13,656	26,088
Net Cash Used in Operating Activities	(11,245)	(4,685)
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,808)	(1,691)
Net Cash Used in Investing Activities	(1,808)	(1,691)

The accompanying notes are an integral part of the consolidated financial statements.

DRAGONFLY ENERGY HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(IN THOUSANDS)

(continued from previous page)	2025	2024
Cash Flows From Financing Activities		
Proceeds from public offering (ATM), net	63	1,705
Proceeds from public offering, net	4,684	-
Proceeds from preferred stock offering, net of fees	7,330	-
Proceeds from note payable, related party	-	2,700
Repayment of note payable, related party	-	(2,700)
Proceeds from exercise of options	-	4
Principal payment on finance leases	(35)	(27)
Net Cash Provided by Financing Activities	12,042	1,682
Net Change in cash and cash equivalents	(1,011)	(4,694)
Cash and cash equivalents - beginning of period	4,849	12,713
Cash and cash equivalents - end of period	<u>\$ 3,838</u>	<u>\$ 8,019</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for income taxes	<u>\$ 4</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 4</u>	<u>\$ 4,782</u>
Supplemental Non-Cash Items		
Purchases of property and equipment, not yet paid	<u>\$ 16</u>	<u>\$ 2,460</u>
Recognition of right of use asset obtained in exchange for operating lease liability	<u>\$ 642</u>	<u>\$ 18,653</u>
Recognition of leasehold improvements obtained in exchange for operating lease liability	<u>\$ -</u>	<u>\$ 4,683</u>
Recognition of warrant liability - Investor Warrants	<u>\$ 696</u>	<u>\$ 6,381</u>
Conversion of preferred stock to common stock	<u>\$ 7,330</u>	<u>\$ -</u>
Settlement of accrued liability for employee stock purchase plan	<u>\$ 73</u>	<u>\$ 112</u>
Reclassification of assets held for sale to machinery and equipment	<u>\$ 644</u>	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 1 - NATURE OF BUSINESS

Dragonfly Energy Holdings Corp. (the “Company”) sells lithium ion battery packs for use in a wide variety of applications. The Company sells to distributors under the Dragonfly Energy brand name, and sells direct to consumers under the trade name Battleborn Batteries. In addition, the Company develops technology for improved lithium ion battery manufacturing and assembly methods.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying unaudited condensed consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and present the consolidated financial statements of the Company and its wholly owned subsidiaries Dragonfly Energy Corp, Battle Born Battery Products, LLC and Dragonfly CellTech, Inc. All significant intercompany transactions and balances are eliminated in consolidation.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements and related notes have been prepared in accordance with U.S. GAAP for interim financial information, and with the rules and regulations of the United States Securities and Exchange Commission (the “SEC”) set forth in Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim financial statements furnished reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. Unaudited interim results are not necessarily indicative of the results for the full fiscal year. These condensed consolidated financial statements should be read along with the Annual Report on Form 10-K filed with the SEC on March 31, 2025 of the Company for the annual period ended December 31, 2024. The consolidated balance sheet as of December 31, 2024 was derived from the audited consolidated financial statements as of and for the year then ended.

Going Concern

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

During the nine months ended September 30, 2025 and 2024, the Company incurred losses from operations and had negative cash flow from operations. As of September 30, 2025, the Company had \$3,838 in cash and cash equivalents and a working capital of \$8,834. The Company’s ability to achieve profitability and positive cash flow depends on its ability to increase revenue, contain its expenses and maintain compliance with the financial covenants in its outstanding indebtedness agreements.

In connection with the Company’s senior secured term loan facility in an aggregate principal amount of \$75,000 (as amended, the “Term Loan”), the Company is obligated to comply with certain financial covenants, which include maintaining a maximum senior leverage ratio, minimum liquidity, a springing fixed charge coverage ratio, and maximum capital expenditures (**See Note 6**). Between March 2024 and February 2025, the Company obtained multiple waivers from the Term Loan administrative agent and lenders for noncompliance with the liquidity requirements under the Term Loan.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern (Continued)

On February 26, 2025, the Company entered into a Securities Purchase agreement (“Purchase Agreement”). The Purchase Agreement called for the Company to authorize a new series of convertible preferred stock of the Company designated as the Series A Convertible Preferred Stock, par value \$0.0001 per share (the “Series A Preferred Stock”), which shall be convertible into shares of the Company’s common stock, and sell to each Buyer an aggregate number of shares of Series A Preferred Stock and 20 warrants, to each buyer, that are convertible to common stock. During the nine months ended September 30, 2025, the Company received proceeds of \$8,000 less \$670 in costs for net proceeds of \$7,330 due to the conversion of 800 shares of Series A Preferred Stock for 32,314,615 shares of common stock which the Company has been using for working capital and general corporate purposes. As of September 30, 2025, all Series A Convertible Preferred Stock has been converted into common stock.

In addition to the Purchase Agreement, the Term Loan was amended on February 26, 2025 to (i) extend the maturity date by one (1) year to October 2027, (ii) defer all principal and interest payments to April 2026 and (iii) remove any applicable financial covenants (except for a financial covenant requiring e Company to maintain cash and cash equivalents equal to or greater than \$2,500) through June 30, 2026.

On July 30, 2025, the Company completed an equity financing and received net proceeds of \$5,495 less \$811 in costs, in connection with the issuance of 21,980,000 shares of common stock in an underwritten public offering (the “July 2025 Offering”), which the Company has been using for working capital and other general corporate purposes, including the repayment of indebtedness in the ordinary course.

Subsequent to September 30, 2025, the Company completed two equity financings. On October 6, 2025, the Company received net proceeds of \$26,925, net of costs, in connection with the issuance of 23,000,000 shares of common stock. On October 17, 2025, the Company received additional net proceeds of \$51,928, net of costs, from the issuance of 36,000,000 shares of common stock and pre-funded warrants to purchase 5,000,000 shares of common stock. The Company intends to use the aggregate net proceeds for working capital and other general corporate purposes, including the repayment of indebtedness in the ordinary course of business. Additionally, on October 20, 2025, the Term Loan was restructured and the Company entered into the Sixth Amendment (the “Sixth Amendment”) with the Term Loan lenders, which included new interest payment terms, \$45,000 prepayment in October, and \$5,000 debt cancellation. Lastly, as part of the restructuring, on November 4, 2025, the Company and the lenders entered into an exchange agreement (the “Exchange Agreement”) pursuant to which the Company issued 25,000 shares of Series B Preferred Stock in exchange for \$25,000 outstanding principal amount of the Term Loan. Please see Note 13 for more information regarding the aforementioned offerings, term loan amendment, and exchange agreement that occurred in October and November 2025.

As presented above, strategic initiatives were executed in 2025 in order to alleviate the substantial doubt about the Company’s ability to continue as a going concern. These initiatives include multiple capital raises (including those subsequent to September 30, 2025) totalling a net cash increase of \$91,218 and Term Loan restructuring to reduce principal and interest owed, including a significant principal paydown, partial debt cancellation, and partial principal conversion into preferred shares. With these strong initiatives, along with continued revenue generation anticipated in the next twelve months and the Company’s ability to maintain covenant compliance with a monthly liquidity minimum of \$5,000, management has concluded that the substantial doubt regarding the Company’s ability to continue as a going concern has been mitigated.

In addition, the Company may need to raise additional debt and/or equity financings to fund its operations, strategic plans, meet its financial covenants under the Term Loan and its obligations under the Series B Preferred Stock and repay its outstanding indebtedness under the Term Loan. The Company has historically been able to raise additional capital through issuance of equity and/or debt financings and the Company intends to raise additional capital as needed. However, the Company cannot guarantee that it will be able to raise additional equity, contain expenses, or increase revenue, and comply with the financial covenants under the Term Loan. If the Company is unable to obtain additional funding to support its current or proposed activities and operations and its outstanding indebtedness, it may not be able to continue its operations as currently anticipated, which may require it to suspend or terminate any ongoing development activities, modify its business plan, curtail various aspects of its operations, cease operations, or seek relief under applicable bankruptcy laws. In such event, the Company’s stockholders may lose a substantial portion or even all of their investment.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventories (**Note 4**), which consist of raw materials and finished goods, are stated at the lower of cost (first in, first out) or net realizable value, net of reserves for obsolete inventory. The Company continually analyzes its slow moving and excess inventories. Based on historical and projected sales volumes and anticipated selling prices, the Company established reserves. Inventory that is in excess of current and projected use is reduced by an allowance to a level that approximates its estimate of future demand. Products that are determined to be obsolete are written down to net realizable value. The Company had a reserve of \$300 and \$188 as of September 30, 2025 and December 31, 2024, respectively.

Assets Held for Sale

Assets held for sale are valued at the lower of the carrying amount or the net realizable value estimated at September 30, 2025. Impairment to carrying amounts are recognized to non-operating expenses in the year ending December 31, 2024. The Assets held for sale, or the disposal group, consists of two research and development pieces of equipment that were not in use yet. Due to the nature of the disposal group being long-lived assets, the disposal group qualifies for the held for sale classification, as defined in ASC 360. Due to the Company shifting its focus from research and development efforts to product development, these assets would be put into service at an undeterminable time in the future and therefore, a search for a potential buyer was conducted. The sale was expected to be completed in the second quarter, but unforeseen circumstances forced the buyer to back out. Due to not being able to locate another buyer, the assets held for sale were reclassified as Property and Equipment as of September 30, 2025.

Use of Estimates

The preparation of financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company utilizes the use of estimates in its calculations for the reserve for obsolete or slow moving inventory, going concern, right of use asset, warrant liability, equity based compensation, income taxes, leases, right-of-use asset impairment, and license arrangement.

Revenue Recognition

Under Topic 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

Revenue is recognized when control of the promised goods is transferred to the customer or reseller, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods and services. Revenue associated with products holding rights of return are recognized when the Company concludes there is not a risk of significant revenue reversal in the future periods for the expected consideration in the transaction. There are no material instances including discounts and refunds where variable consideration is constrained and not recorded at the initial time of sale. Generally, the Company's revenue is recognized at a point in time for standard promised goods at the time of shipment when title and risk of loss pass to the customer.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

The Company recognizes revenue from right-to-access license agreements upon the transfer of control to the customer. Upfront fees are deferred and recognized over the estimated period of benefit. Royalties are recognized as revenue when the customer’s underlying sales occur. The transaction price and timing of revenue recognition are adjusted as necessary to reflect changes in expectations.

The Company may receive payments at the onset of the contract before delivery of goods for customers in the retail channel. Payment terms for distributors and original equipment manufacturers (“OEMs”), are typically due within 30-90 days after shipment. In such instances, the Company records a customer deposit liability. The Company recognizes these contract liabilities as sales after the revenue criteria are met. As of September 30, 2025 and December 31, 2024, the contract liability related to the Company’s customer deposits were approximately \$252 and \$317, respectively.

During the nine months ended September 30, 2025, the Company recognized \$314 of the December 31, 2024 contract liability. During the nine months ended September 30, 2024, the Company recognized \$201 of the contract liability that was recorded as a January 1, 2024 beginning balance.

On July 29, 2024, Dragonfly Energy Corp. (“Legacy Dragonfly”), a wholly-owned subsidiary of the Company, and Battle Born Battery Products, LLC (“Battle Born LLC”), a wholly-owned subsidiary of Legacy Dragonfly, entered into a License Agreement (the “License Agreement”) with Stryten Energy LLC (“Stryten”). The \$5,000 initial licensing fee is being recognized as revenue on a straight-line basis over five years. The Company has recorded \$250 and \$750 in revenue related to the license agreement for the three and nine months ended September 30, 2025. As of September 30, 2025 and December 31, 2024, the contract liability related to the Company’s deferred revenue were approximately \$3,833 and \$4,583, respectively. As of September 30, 2025, the Company had \$1,000 in short term deferred revenue and \$2,833 in long-term deferred revenue related to the License Agreement.

Disaggregation of Revenue

The following table presents the Company’s disaggregated revenues by distribution channel:

Sales	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Direct to customer	5,038	5,153	16,001	16,890
Original equipment manufacture	10,679	7,400	28,820	21,376
License fee revenue	250	167	750	167
Total	<u>\$ 15,967</u>	<u>\$ 12,720</u>	<u>\$ 45,571</u>	<u>\$ 38,433</u>

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Product Warranty

The Company offers assurance type warranties from 5 to 10 years on its products. The Company estimates the costs associated with the warranty obligation using historical data of warranty claims and costs incurred to satisfy those claims. The Company estimates, based upon a review of historical warranty claim experience, the costs that may be incurred under its warranties and record a liability in the amount of such estimate at the time a product is sold. Factors that affect the Company's warranty liability include the number of units sold, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liability and adjust the accrual as claims data and historical experience warrants. The Company has assessed the costs of fulfilling its existing assurance type warranties and has determined that the estimated outstanding warranty obligation at September 30, 2025 and December 31, 2024 to be \$768 and \$514, respectively. The Company incurred warranty expense of \$132 and \$403 for the three and nine months ended September 30, 2025, respectively, and incurred warranty expense of \$114 and \$422 for the three and nine months ended September 30, 2024, respectively,

The following table reflects the activity in the Company's warranty obligation for the nine months ended September 30, 2025:

Beginning warranty obligation-	514
Provision of warranty expense	403
Settlement of warranty claims	<u>(149)</u>
Ending warranty obligation	<u>\$ 768</u>

Concentrations

As of September 30, 2025, receivables from Customer A comprised approximately 52% of accounts receivable. There are no other significant accounts receivable concentration.

For the nine months ended September 30, 2025, sales from Customer A comprised approximately 29% of the Company's total revenue. For the nine months ended September 30, 2024, sales from Customer A comprised approximately 15% of the Company's total revenue. For the three months ended September 30, 2025, sales from Customer A comprised approximately 35% of the Company's total revenue. For the three months ended September 30, 2024, sales from Customer A comprised approximately 16% of the Company's total revenue.

As of September 30, 2025, payables to Vendor A, Vendor B, and Vendor C comprised approximately 24%, 11%, and 20%, respectively, of accounts payables.

For the nine months ended September 30, 2025, Vendor A and Vendor B accounted for approximately 17% and 10%, respectively, of the Company's total purchases. For the nine months ended September 30, 2024, Vendor D accounted for approximately 11% of the Company's total purchases. For the three months ended September 30, 2025, Vendor A, Vendor B and Vendor C accounted for approximately 18%, 14% and 12%, respectively, of the Company's total purchases. For the three months ended September 30, 2024, Vendor D and Vendor B accounted for approximately 16% and 13%, respectively, of the Company's total purchases.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock-Based Compensation

The Company accounts for stock based compensation arrangements with employees and non-employee consultants using a fair value method which requires the recognition of compensation expense for costs related to all stock based payments, including stock options (**Note 11**). The fair value method requires the Company to estimate the fair value of stock based payment awards to employees and non-employees on the date of grant using an option pricing model. Stock based compensation costs are based on the fair value of the underlying option calculated using the Black Scholes option pricing model and recognized as expense on a straight line basis over the requisite service period, which is the vesting period. Restricted stock unit awards are valued based on the closing trading value of the Company's common stock on the date of grant and then amortized on a straight-line basis over the requisite service period of the award. The Company measures equity-based compensation awards granted to non-employees at fair value as the awards vest and recognizes the resulting value as compensation expense at each financial reporting period.

Determining the appropriate fair value model and related assumptions requires judgment, including estimating stock price volatility, expected dividend yield, expected term, risk free rate of return, and the estimated fair value of the underlying common stock. Due to the lack of company specific historical and implied volatility data, the Company has based its estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. The historical volatility is calculated based on a period of time commensurate with the expected term assumption. The group of representative companies have characteristics similar to the Company, including stage of product development and focus on the lithium ion battery industry. The Company uses the simplified method, which is the average of the final vesting tranche date and the contractual term, to calculate the expected term for options granted to employees as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The risk free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. The Company uses an assumed dividend yield of zero as the Company has never paid dividends and has no current plans to pay any dividends on its common stock. The Company accounts for forfeitures as they occur.

Income Taxes

On July 4, 2025, the One Big Beautiful Bill (the "OBBB") Act was signed into law in the United States. The OBBB Act includes significant provisions, such as the permanent extension and modification of certain provisions of the U.S. Tax Cuts and Jobs Act of 2017, modifications to the international tax framework and the restoration of favorable tax treatment for certain business provisions. The legislation has multiple effective dates, with certain provisions beginning in 2025 and others beginning at various dates through 2027. The Company does not expect the OBBB Act to materially impact the Company's income tax position in 2025.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Loss per Common Share

Basic net loss per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss earnings per share is calculated using the weighted-average number of common shares outstanding during the period and, if dilutive, the weighted-average number of potential shares of common stock.

The weighted-average number of common shares included in the computation of diluted net loss gives effect to all potentially dilutive common equivalent shares, including outstanding stock options and warrants.

Common stock equivalent shares are excluded from the computation of diluted net loss per share if their effect is antidilutive. In periods in which the Company reports a net loss, diluted net loss per share is generally the same as basic net loss per share since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

The following table sets forth the number of potential shares of common stock that have been excluded from diluted net loss per share because their effect was anti-dilutive:

	September 30,	
	2025	2024
Warrants	4,256,156	3,575,678
Restricted stock units	169,161	12,153
Options	137,522	194,299
Weighted average number of common shares-basic	4,562,839	3,782,130

Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no impact on previously reported net loss, total assets, total liabilities, or stockholders' equity.

Segment Reporting

Operating segments are identified (**Note 12**) as components of an enterprise for which separate discrete financial information is available for evaluation by the Company's Chief Executive Officer to make decisions with respect to resource allocation and assessment of performance. Previously, the Company recognized one operating segment. Historically, the Company reported a single operating and reportable segment, as management evaluated the business on a consolidated basis. During the fourth quarter of 2024, the Company reassessed its internal reporting structure and how management monitors operations and makes decisions. As a result of this reassessment, the Company determined that it now manages its business through two distinct operating segments. This change was driven by the development of the Company's operations and internal decision-making processes, including the introduction of separate performance metrics and discrete financial information for each segment.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 requires enhanced annual disclosures regarding the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, and may be adopted on a prospective or retrospective basis. The Company adopted ASU 2023-09 as of January 1, 2025.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires a public entity to disclose additional information about specific expense categories in the notes to the financial statements on an annual and interim basis. It is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. In January 2025, the FASB issued ASU 2025-01 to clarify that all public entities, including non-calendar year-end entities, should adopt the disclosure requirements of ASU 2024-03. The Company is currently evaluating the impact. The guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Accordingly, the Company will adopt the standard for the year ending December 31, 2027.

In July 2025, the FASB issued ASU 2025-05: Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets, amending the manner in which credit losses for accounts receivable and contract assets are determined. For public companies, the guidance introduces a practical expedient for estimating expected credit losses on current accounts receivable and current contract assets. Under this expedient, entities may assume that conditions existing at the balance sheet date will persist for the remaining life of the asset, which simplifies the estimation process by eliminating the need to forecast future economic conditions for these short-term assets. This guidance is effective for fiscal years beginning after December 15, 2025, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this guidance on its financial statements and related disclosures.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - FAIR VALUE MEASUREMENTS

The following table presents assets and liabilities that were measured at fair value in the Consolidated Balance Sheets on a recurring basis as of September 30, 2025:

	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
	As of September 30, 2025				
Liabilities					
Warrant liability- Term Loan	\$ 1,028	\$ 1,028	\$ -	\$ 1,028	\$ -
Warrant liability- June Public Offering	177	177	-	177	-
Total liabilities	<u>\$ 1,205</u>	<u>\$ 1,205</u>	<u>\$ -</u>	<u>\$ 1,205</u>	<u>\$ -</u>

The following table presents assets and liabilities that were measured at fair value in the Consolidated Balance Sheets on a recurring basis as of December 31, 2024:

	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
	As of December 31, 2024				
Liabilities					
Warrant liability- Term Loan	\$ 3,883	\$ 3,883	\$ -	\$ 3,883	\$ -
Warrant liability- June Public Offering	1,250	1,250	-	1,250	-
Total liabilities	<u>\$ 5,133</u>	<u>\$ 5,133</u>	<u>\$ -</u>	<u>\$ 5,133</u>	<u>\$ -</u>

Due to Black Scholes calculation being utilized on all fair value measurement of warrant liabilities as of September 30, 2025 and December 31, 2024, the fair value warrant liabilities were transferred from Level 3 to Level 2 as of December 31, 2024. This is due to the observable inputs (such as the Company's stock price and comparable company volatility calculations) included in the Black Scholes calculation, which makes the fair value measurement of the warrant liabilities more closely aligned with Level 2.

The carrying amounts of accounts receivable and accounts payable are considered Level 1 and approximate fair value as of September 30, 2025 and December 31, 2024 because of the relatively short maturity of these instruments.

The carrying value of the term loan as of September 30, 2025 and December 31, 2024 approximates fair value as the interest rate does not differ significantly from the current market rates available to the Company for similar debt and is considered Level 2.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Roll forward

Fair value measurements categorized within Level 3 are sensitive to changes in assumptions or methodology used to determine fair value, and such changes could result in a significant increase or decrease in the fair value.

The changes for Level 3 items measured at fair value on recurring basis using significant unobservable inputs are as follows:

There was no Level 3 activity for the three and nine months ended September 30, 2025.

	Warrant Liability - Term Loan	Warrant liability- June Public Offering
Fair value as of January 1, 2024	\$ 1,014	\$ 3,434
Change in fair value, gain included in net loss ⁽¹⁾	(4)	(220)
Fair value as of March 31, 2024	1,010	3,214
Warrants Issued	4,796	-
Change in fair value, gain included in net loss ⁽¹⁾	(304)	2,277
Fair value as of June 30, 2024	\$ 5,502	\$ 5,491
Warrant Issued	1,585	-
Change in fair value, loss included in net loss ⁽¹⁾	(2,070)	(2,805)
Fair value as of September 30, 2024	<u>\$ 5,017</u>	<u>\$ 2,686</u>

⁽¹⁾Changes in fair value of warrant liabilities are disclosed separately in the Consolidated Statements of Operations

NOTE 4 - INVENTORY

Inventory consists of the following:

	September 30, 2025	December 31, 2024
Raw material	\$ 20,053	\$ 18,776
Finished goods	2,665	2,940
Total inventory	<u>\$ 22,718</u>	<u>\$ 21,716</u>

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - COMMITMENTS AND CONTINGENCIES

Litigation

From time to time the Company may be named in claims arising in the ordinary course of business. Currently, no legal proceedings, governmental actions, administrative actions, investigations or claims are pending against the Company or involve the Company that, in the opinion of the Company's management, could reasonably be expected to have a material adverse effect on the Company's business and financial condition.

Operating Leases

The Company has leases related to the main office, warehouse space, research and development lab, engineering office, and sales office, all located in Reno, Nevada. The leases require annual escalating monthly payments ranging from \$111 to \$309.

On April 12, 2024 the Company entered into a lease agreement, pursuant to which the Company agreed to lease an approximately 64,000 square foot facility (the "Premises") located in Fernley, Nevada, to be used for general, warehousing, assembly/light manufacturing, painting of products, storage fulfillment, distribution of the Company's products, and other uses as permitted under the Fernley Lease Agreement (the "Fernley Lease Agreement"). The effective date of the lease is April 1, 2024 (the "Lease Commencement Date"). However, the initial term of the Fernley Lease Agreement (the "Term") is for a period of sixty (60) months, effective June 1, 2024 (the "Rent Commencement Date"). The base rent for the Premises, payable monthly, was \$45 for the first ten months, starting June 1, 2024, and is subject to a three percent (3.0%) increase on the anniversary of the Lease Commencement Date each year. The Company also will be responsible for twenty-five percent (25%) of any operating expenses, taxes and insurance expenses incurred by the Landlord in connection with the building in which the Premises are located (the "Expenses") as well as utility expenses. The Expenses are subject to recalculation and increase upon the completion of the Initial Improvements (as defined in the Fernley Lease Agreement). The Landlord is responsible for completing the Initial Improvements. The Fernley Lease Agreement also contains customary default provisions allowing the Landlord to terminate the Fernley Lease Agreement if the Company fails to cure certain breaches of its obligations under the Fernley Lease Agreement within a specified period of time upon written notice to the Company. Concurrent with the execution of the Fernley Lease Agreement, the Company paid the Landlord a security deposit of \$50.

On May 8, 2025, the Company entered into a sixth lease amendment with its landlord to extend the lease term for an additional sixty-four (64) month period for the research and development lab and engineering office in Reno, Nevada. Under the terms of the amended lease, the base rent due shall be fully abated for the four (4) month period commencing on August 1, 2025, and ending on November 30, 2025. The lease is set to expire on November 30, 2030.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The following table presents the breakout of the operating leases as of:

	September 30, 2025	December 31, 2024
Operating lease right-of-use assets	\$ 17,977	\$ 19,737
Short-term operating lease liabilities	2,868	2,926
Long-term operating lease liabilities	21,128	22,588
Total operating lease liabilities	\$ 23,996	\$ 25,514
Weighted average remaining lease term	7.94 years	8.46 years
Weighted average discount rate	7.94%	7.86%

Assumptions used in determining the Company's incremental borrowing rate include its implied credit rating and an estimate of secured borrowing rates based on comparable market data.

At September 30, 2025, the future minimum lease payments under these operating leases are as follows:

Fiscal Years Ending	
December 31, 2025 ⁽¹⁾	1,208
December 31, 2026	4,528
December 31, 2027	3,746
December 31, 2028	3,860
December 31, 2029	3,614
Thereafter	16,046
Total lease payments	33,002
Less imputed interest	9,006
Total operating lease liabilities	\$ 23,996

(1) Represents scheduled payments for the remaining three-month period ending December 31, 2025.

During the three and nine months ended September 30, 2025, the Company recorded a non-cash impairment of a right-of-use asset of \$453 within operating expenses.

Lease cost	Classification	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
		2025	2024	2025	2024
Operating lease cost	Cost of goods sold	\$ 622	\$ 310	\$ 1,859	\$ 1,001
Operating lease cost	Research and development	21	204	98	357
Operating lease cost	General and administration	1,190	676	2,731	1,708
Operating lease cost	Selling and marketing	13	11	39	34
Total lease cost		\$ 1,846	\$ 1,201	\$ 4,727	\$ 3,100

All lease costs included in the schedule above are fixed.

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Financing Leases

The Company entered into finance lease agreements for equipment to support the Company's operations. Payments under the finance lease agreements are fixed for a term of 3-5 years. The leased assets are recognized in property plant & equipment.

The following table presents the breakout of the financing leases as of:

	September 30, 2025	December 31, 2024
Finance lease right-of-use assets	\$ 94	\$ 121
Short-term finance lease liabilities	42	47
Long-term finance lease liabilities	33	63
Total finance lease liabilities	\$ 75	\$ 110
Weighted average remaining lease term	2.26 years	2.78 years
Weighted average discount rate	5.2%	5.2%

Assumptions used in determining the Company's incremental borrowing rate include its implied credit rating and an estimate of secured borrowing rates based on comparable market data.

At September 30, 2025, the future minimum lease payments under these financing leases are as follows:

Fiscal Years Ending	
December 31, 2025 ⁽¹⁾	13
December 31, 2026	37
December 31, 2027	18
December 31, 2028	9
December 31, 2029	3
Total lease payments	80
Less imputed interest	5
Total financing lease liabilities	\$ 75

(1) Represents scheduled payments for the remaining three-month period ending December 31, 2025.

Other Contingencies

In March 2025, the Company agreed to pay LithiumHub a total of \$2,500, of which approximately \$562 is payable in 2025 and approximately \$1,938 is payable in 2026, in exchange for a non-exclusive license in LithiumHub Technologies, LLC's patent rights related to the Patents-in-Suit. In accordance with the Settlement Agreement, the Company and LithiumHub terminated the ongoing patent litigation between them. The Settlement Agreement includes no admission of infringement by the Company. As of September 30, 2025, the Company recorded an accrued settlement liability of \$2,125 which is entirely classified as current. On October 22, 2025, the Company paid in full the \$2,125 settlement amount.

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 6 - LONG TERM DEBT

Term Loan Agreement

As of September 30, 2025, the Company had an outstanding term loan under a Term Loan, Guarantee and Security Agreement (the “Term Loan Agreement”), dated October 7, 2022. The Term Loan matures on October 7, 2027 and amortizes at a rate of 5% per annum beginning in October 2024.

Prior to any amendments, the Term Loan accrues interest based on the Company’s senior leverage ratio. From inception through September 30, 2024, interest accrued at a per annum rate equal to adjusted SOFR (subject to a floor of 1.0%) plus 7.0% payable in cash, plus an additional 4.5% to 6.5% payable in kind (“PIK”), depending on the Company’s senior leverage ratio. Effective April 1, 2024, interest payable to lenders subject to the regulations of the U.S. Small Business Administration (with \$30,846 of principal outstanding as of that date) is limited to 14.0% per annum, excluding default interest permitted under applicable SBA regulations. From October 1, 2024 through March 31, 2025, interest on the non-SBA regulated portion continued to accrue at adjusted SOFR plus 7.0% payable in cash, and 4.5% to 6.5% payable in kind. Beginning April 1, 2025, interest on all outstanding balances was payable entirely in cash, at a rate equal to adjusted SOFR plus a margin ranging from 11.5% to 13.5%, depending on the Company’s senior leverage ratio.

During the nine months ended September 30, 2025 and 2024, the Company recognized interest expense of \$11,233 and \$10,531, respectively. During the three months ended September 30, 2025 and 2024, the Company recognized interest expense of \$3,927 and \$3,509, respectively. Amortization of the debt issuance costs amounted to \$5,240 and \$4,490, respectively, during the nine months ended September 30, 2025 and 2024. Amortization of the debt issuance costs amounted to \$2,456 and \$2,062, respectively, during the three months ended September 30, 2025 and 2024. As of September 30, 2025, the carrying value of the Term Loan was \$45,423, consisting of \$69,974 in principal and \$27,172 capitalized PIK interest, net of \$51,723 in unamortized debt discount. As of December 31, 2024, the carrying value was \$29,646, consisting of \$69,974 in principal, plus \$15,938 in capitalized PIK interest, net of \$56,266 in unamortized debt discount.

The obligations under the Term Loan Agreement are secured by a first-priority lien on substantially all of the Company’s assets, including certain mortgaged properties.

Subsequent to the original execution of the Term Loan Agreement, the Company entered into six amendments which modified certain terms of the facility, including, but not limited to, interest rate mechanics, the timing of principal payments, and certain financial and operational covenants. Five of these amendments were in effect as of September 30, 2025 and the Sixth Amendment was entered into on October 20, 2025.

Financial Covenants

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 6 - LONG TERM DEBT (CONTINUED)

In February 2025, in connection with the Purchase Agreement, the Company entered into the Fifth Amendment to the Term Loan Agreement. This amendment extended the Term Loan's maturity date by one year to October 2027 and deferred all principal and interest payments until April 2026. Additionally, the amendment postponed certain covenant requirements, significantly reducing the likelihood of a breach and the lender's ability to accelerate repayment based on prior noncompliance, thereby allowing the Company to reclassify the debt as long-term as of December 31, 2024.

At September 30, 2025, the future debt maturities are as follows:

For Year Ended December 31,	
2025	\$ -
2026	2,813
2027	98,429
Total debt	101,242
Less: Estimated interest paid-in-kind	(4,095)
Total debt	97,147
Less: Unamortized debt discount costs	(51,724)
Total carrying amount	45,423
Less: Current portion of debt	(877)
Total long-term debt	\$ 44,546

Subsequent to September 30, 2025, the Company entered into the Sixth Amendment to the Term Loan Agreement, for details, refer to Subsequent Event Note 12.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - RELATED PARTY

On January 26, 2024 the Company entered into a convertible promissory note (the “January Note”) with a board member in the amount of \$1,000, or the January Principal Amount. Upon execution of the January Note and funding of the original principal sum, a payment of \$50 (the “January Loan Fee”) was fully earned as of the date of the January Note and was due and payable in full in cash on February 2, 2024. The Company paid the January Principal Amount and the January Loan Fee on February 1, 2024.

On February 27, 2024 the Company entered into a convertible promissory note (the “February Note”) with a board member in the amount of \$1,700, or the February Principal Amount. Upon execution of the February Note and funding of the original principal sum, a payment of \$85 (the “February Loan Fee”) was fully earned as of the date of the February Note and was due and payable in full in cash on March 1, 2024. The Company paid the February Principal Amount and the February Loan Fee on March 1, 2024.

Effective April 12, 2024, the Company entered into amendments to the employment agreements with its Chief Executive Officer, its Chief Revenue Officer and its Chief Marketing Officer to amend the terms of their annual equity compensation (the “Amended Employee Agreements”). The Amended Employee Agreements allow the Company to issue a combination of cash and equity awards on an annual basis up to a specified amount (\$1,532 for the Chief Executive Officer, \$490 for the Chief Revenue Officer and \$236 for the Chief Marketing Officer), subject to approval and such other terms and conditions imposed by the compensation committee of the board of directors.

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 8 - WARRANTS

Common Stock Warrants classified as Equity

The following table presents a roll-forward of the Company's equity warrants from January 1, 2025 to September 30, 2025 and January 1, 2024 to September 30, 2024:

	Public Warrants	Underwriters' Warrants
Warrants Outstanding, January 1, 2025	1,046,948	63,362
Exercise of warrants	-	-
Warrants issued	-	-
Warrants Outstanding, September 30, 2025	1,046,948	63,362
Warrants Outstanding, January 1, 2024	1,046,948	63,362
Exercise of warrants	-	-
Warrants issued	-	-
Warrants Outstanding, September 30, 2024	1,046,948	63,362

Common Stock Warrants classified as Liability

Term Loan Warrants

On February 26, 2025, the Company entered into the Fifth Amendment to the Term Loan with the lenders in connection with the February 2025 securities purchase agreement (see **Note 9**). The Fifth Amendment provided for a one-time issuance the February 2025 Penny Warrants to purchase up to 330,000 shares of the Company's common stock, at an exercise price of \$0.01 per share. The February 2025 Penny Warrants are immediately exercisable upon issuance and will expire ten years from the date of issuance.

The February 2025 Penny Warrants were valued utilizing a Black-Scholes model with the following assumptions:

	February 2025 penny warrants
Stock price	\$ 2.12
Strike price	\$ 0.01
Term	10 years
Volatility	90%
Risk-free rate	4.3%

The Company concluded the Penny Warrants are not considered indexed to the Company's common stock and to be accounted for as liabilities under ASC 815. As such, the estimated fair value is recognized as a liability each reporting period, with changes in the fair value recognized within income each period. There were no Penny Warrants outstanding prior to the merger.

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 8 - WARRANTS (CONTINUED)

Common Stock Warrants classified as Liability (Continued)

The following table provides the significant inputs to the Black-Scholes method for the fair value of the Penny Warrants:

	As of September 30, 2025	As of December 31, 2024
Common stock price	\$ 0.59	\$ 2.78
Exercise price	\$ 0.09	\$ 0.09
Dividend yield	0%	0%
Term	7.02	7.77
Volatility	142.30%	94.00%
Risk-free rate	4.0%	4.5%
Fair value	\$ 0.59	\$ 2.74

The following table provides the significant inputs to the Black-Scholes method for the fair value of the Investor Warrants issued in the June 2023 Offering:

	As of September 30, 2025	As of December 31, 2024
Common stock price	\$ 0.59	\$ 2.78
Exercise price	\$ 18.00	\$ 18.00
Dividend yield	0%	0%
Term	2.73	3.47
Volatility	137%	105%
Risk-free rate	3.7%	4.3%
Fair value	\$ 0.14	\$ 1.01

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 8 - WARRANTS (CONTINUED)

Common Stock Warrants classified as Liability (Continued)

The following table presents a roll-forward of the Company's liability classified warrants from January 1, 2025 to September 30, 2025 and January 1, 2024 to September 30, 2024:

	Private Warrants	Term Loan Warrants	Investor Warrants
Warrants Outstanding, January 1, 2025	166,821	1,412,147	1,236,878
Exercise of warrants	-	-	-
Warrants issued	-	330,000	-
Warrants Outstanding, September 30, 2025	166,821	1,742,147	1,236,878
Warrants Outstanding, January 1, 2024	166,821	209,391	1,236,878
Exercise of warrants	-	-	-
Warrants issued	-	852,283	-
Warrants Outstanding, September 30, 2024	166,821	1,061,674	1,236,878

Private Placement Convertible Preferred Warrants classified as Liability

In February 2025, in connection with a private placement offering of Series A Convertible Preferred Stock (see **Note 9**), the Company issued 20 Private Placement Convertible Preferred Warrants (as defined below). Each warrant entitles the holder to purchase up to 200 shares of Series A Preferred Stock at an exercise price of \$10,000 per share. The warrants are exercisable immediately and expire upon the earliest of: (i) 33 months after the shares of common stock issuable upon conversion of Series A Preferred Stock are registered for resale under the Securities Act, (ii) the occurrence of a Change of Control (as defined in the Certificate of Designation), or (iii) the full redemption of Series A Preferred Stock. The number of underlying shares and the exercise price are subject to adjustment in the event of stock splits, combinations, dividends, reclassifications, or other similar events. Upon exercise of the warrants, the Series A Preferred Stock is convertible into common stock at a conversion price that is subject to a floor of \$0.424 per share, pursuant to the terms set forth in the Certificate of Designation.

The Company accounts for the Private Placement Convertible Preferred Warrants issued in connection with the initial offering in accordance with the guidance contained in ASC 815-40. Such guidance provides that because the Private Placement Convertible Preferred Warrants do not meet the criteria for equity treatment thereunder, each Private Placement Convertible Preferred Warrant must be recorded as a derivative liability with the initial fair value of approximately \$120. This liability is subject to re-measurement at each balance sheet date, with changes recorded in the consolidated statement of operations and comprehensive loss. However, the Company has deemed the fair value at inception as immaterial for initial recognition of the liability and will continue to monitor the change in fair value for subsequent periods. On June 23, 2025, the Company and the holder of the Private Placement Convertible Preferred Warrants agreed to cancel such holder's warrants to purchase up to an aggregate of 4,000 shares of Series A Preferred Stock, with an exercise price of \$10,000 per share of Series A Preferred Stock. As a result, the Private Placement Convertible Preferred Warrants are no longer outstanding. Please see Note 9 for more information as related to the aforementioned initial closing of the Private Placement.

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NOTE 8 - WARRANTS (CONTINUED)

Private Placement Convertible Preferred Warrants classified as Liability (Continued)

The following table presents a roll-forward of the Company's Private Placement Convertible Preferred Warrants from January 1, 2025 to September 30, 2025:

	Number of Warrants	Preferred Shares Underlying Warrants	Common Shares Underlying (at \$1.00 floor)
Warrants Outstanding, January 1, 2025	-	-	-
Exercise of warrants	-	-	-
Warrants issued	20	4,000	48,000,000
Warrants Outstanding, March 31, 2025	20	4,000	48,000,000
Exercise of warrants	-	-	-
Warrants issued	-	-	-
Cancellation of warrants	(20)	(4,000)	(48,000,000)
Warrants Outstanding, June 30, 2025	-	-	-
Exercise of warrants	-	-	-
Warrants issued	-	-	-
Warrants Outstanding, September 30, 2025	-	-	-

NOTE 9 - REDEEMABLE CONVERTIBLE PREFERRED STOCK

In February 2025, the Company entered into the Purchase Agreement with an institutional investor. Pursuant to the Purchase Agreement, the investor agreed to purchase in a registered direct offering (the "Registered Direct Offering") from the Company 180 shares of Series A Preferred Stock, at a price of \$10,000 per share, initially convertible into shares of common stock of the Company, at a conversion price of \$2.332 per share of common stock.

The Company conducted an initial offering (the "Initial Closing"), which included the sale of Series A Preferred Stock through a Registered Direct Offering (the "Registered Direct Offering") and a Private Placement pursuant to the Purchase Agreement (the "Private Placement"). In the Private Placement, the Company agreed to sell: (i) 170 additional shares of Series A Preferred Stock at the same price as in the Registered Direct Offering, with a conversion price of \$2.332 per share, and (ii) 20 warrants (the "Private Placement Convertible Preferred Warrants") to purchase up to 4,000 shares of Series A Preferred Stock at \$10,000 per share. The Floor Price for the Series A Preferred Stock sold in the Initial Closing was \$0.424. These terms are subject to adjustments for corporate events like stock splits.

In total, the Company sold 350 shares of Series A Preferred Stock and 20 Private Placement Convertible Preferred Warrants, raising \$3,180 in net proceeds, which will be used for working capital and other general purposes.

On April 28, 2025, the Company completed the second closing of the Private Placement (the "Second Closing") pursuant to the Purchase Agreement. In connection with the Second Closing, the investor purchased an additional 450 shares of Series A Preferred Stock at a price of \$10,000 per share, resulting in net proceeds of \$4,150, which the Company received during the second quarter of 2025.

The terms of the Series A Preferred Stock issued in the Second Closing were substantially similar to those issued in the Initial Closing, except that the initial conversion price was set at \$0.594 per share, with a Floor Price of \$0.10902 per share. The Second Closing shares are convertible into common stock at the option of the holder, subject to certain limitations and adjustments.

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 9 - REDEEMABLE CONVERTIBLE PREFERRED STOCK (CONTINUED)

While the host contract is considered as an equity-classified instrument, it includes provisions that allow the investor to redeem the instrument for cash or other assets upon the occurrence of events that are not solely within the company's control. Because of the Series A Preferred Stock containing this redemption feature, it was originally classified as mezzanine equity. From the issuance date through September 30, 2025, 800 shares of Series A Preferred Stock were converted into 32,314,615 shares of common stock. As a result, \$7,330 (net of offering costs) was reclassified from mezzanine equity to common stock and additional paid-in capital.

At June 30, 2025, the Company did not have a sufficient number of registered shares to fully satisfy the conversion of the remaining 133 Series A Preferred Stock under either the floor conversion price of \$0.424, which would have required approximately 3,198,113 shares, or the Alternate Conversion Price of \$0.144, which would have required approximately 9,407,670 shares (based on 90% of the lowest VWAP over the 10 trading days prior to June 30, 2025). The impact of the Company not having a sufficient number of registered shares to fully satisfy the conversion of the remaining Series A Preferred Stock would be an immaterial reclass to a derivative liability.

On July 20, 2025, the Company entered into a Settlement and Release Agreement (the "Release Agreement") with the holder of the outstanding shares of Series A Preferred Stock. Pursuant to the terms of the Release Agreement, the Company issued and delivered 2,100,000 shares of common stock to the holder and the holder surrendered to the Company all of the outstanding shares of Series A Preferred Stock. In addition, under the Release Agreement, upon the issuance of the shares of common stock, the Company's obligations under the Purchase Agreement, the Certificate of Designation governing the Series A Preferred Stock and the other agreements entered into in connection with the offering of the Series A Preferred Stock were satisfied in full and the Purchase Agreement and the other agreements were deemed terminated and any remaining shares of Series A Preferred Stock that were outstanding or deemed to be outstanding were deemed cancelled and no longer outstanding. The Company has no further obligation to issue any shares of common stock or Series A Preferred Stock to the holder under the Purchase Agreement or otherwise. Under the Release Agreement, each party also provided a full release to the other party.

During the nine months ended September 30, 2025, all of the Company's redeemable preferred stock converted into 32,314,615 shares of common stock in accordance with their respective terms. As of September 30, 2025, no redeemable preferred stock remains outstanding.

On October 20, 2025, the Company entered into a definitive agreement to issue newly-created Series B Preferred Stock, in exchange for an equivalent amount of its senior secured term-loan debt. See Note 13 – Subsequent Events for additional details.

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 10 - COMMON STOCK

No dividends on common stock had been declared by the Company.

For the nine months ended September 30, 2025 and 2024, the Company had reserved shares of common stock for issuance as follows:

	September 30, 2025	September 30, 2024
Options issued and outstanding	137,522	194,299
Common stock outstanding	61,742,104	6,974,220
Warrants outstanding	4,256,156	3,575,678
Earnout shares	2,777,778	2,777,778
Shares available for future issuance	1,168,204	928,881
Total	<u>70,081,764</u>	<u>14,450,856</u>

ChEF Equity Facility

The Company and Chardan Capital Markets LLC, a New York limited liability company (“CCM LLC”) entered into a purchase agreement (the “Original Purchase Agreement”) and a Registration Rights Agreement in connection with the merger. Pursuant to the Original Purchase Agreement, the Company has the right to sell to CCM LLC an amount of shares of common stock, up to a maximum aggregate purchase price of \$150 million, pursuant to the terms of the Purchase Agreement (the “ChEF Equity Facility”). In addition, the Company appointed LifeSci Capital, LLC as “qualified independent underwriter” with respect to the transactions contemplated by the Purchase Agreement. Under the terms of the Purchase Agreement with CCM LLC, the Company issued 23,160 shares for aggregate net proceeds to the Company of \$63 from the period January 1, 2025 through September 30, 2025. The Company issued 249,488 shares pursuant to the ChEF Equity Facility for aggregate proceeds to the Company of \$1,705 from the period of January 1, 2024 through September 30, 2024. In accordance with the anti-dilution provisions of the Penny Warrants with respect to certain sales made by the Company under the ChEF Equity Facility, 20,524 Penny Warrants were issued from the period January 1, 2024 through September 30, 2024. The ChEF Equity Facility expires in December 2025.

July 2025 Public Offering

On July 30, 2025, the Company entered into an underwriting agreement with Canaccord, as representative of the several underwriters named in the certain underwriting agreement, relating to an underwritten public offering of 21,980,000 shares of common stock at a price to the public of \$0.25 per share raising proceeds of \$4,684 net of offering costs.

October 2025 Public Offering

Refer to Note 13 – Subsequent Events for information regarding the Company’s two October 2025 offerings completed under underwriting agreements with Canaccord, which included the issuance of additional shares of common stock and pre-funded warrants.

NOTE 11 - STOCK-BASED COMPENSATION

The Company maintains the Dragonfly Energy Holdings Corp. Employee Stock Purchase Plan (the “ESPP”) which is designed to allow eligible employees and the eligible employees of the Company’s participating subsidiaries to purchase shares of the Company’s common stock, at semi-annual intervals, with their accumulated payroll deductions. A total of 273,822 shares of the Company’s common stock were initially available for issuance under the ESPP. The share limit will automatically increase on the first trading day in January of each year by an amount equal to lesser of (1) 1% of the total number of outstanding shares of the Company’s common stock on December 31 in the prior year, (2) 166,667 shares, or (3) such number as determined by the Company’s board of directors.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 - STOCK-BASED COMPENSATION (CONTINUED)

A summary of the Company's option activity and related information follows:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Grant Date Fair Value	Weighted- Average Remaining Contractual Life (in years)	Aggregate intrinsic value
Balances, January 1, 2025	168,809	\$ 25.97	\$ 25.97	6.50	\$ -
Options granted	-	-	-	-	-
Options forfeited	(3,098)	42.79	42.79	-	-
Options expired	(28,189)	29.34	29.34	-	-
Options exercised	-	-	-	-	-
Balances, September 30, 2025	<u>137,522</u>	<u>\$ 24.90</u>	<u>\$ 24.90</u>	<u>5.79</u>	<u>\$ -</u>
At September 30, 2025					
Vested and Exercisable	134,298	24.54		5.77	\$ -
Vested and expected to vest	137,522	24.90		5.79	\$ -

During the nine months ended September 30, 2025, the Company did not issue any stock options.

Share-based compensation expense for options and RSUs totaling \$578 and \$759 was recognized in the Company's consolidated statements of operations for the nine months ended September 30, 2025 and 2024, respectively. Share-based compensation expense for options and RSUs totaling \$168 and \$256 was recognized in the Company's consolidated statements of operations for the three months ended September 30, 2025 and 2024, respectively.

Of the \$578 of share-based compensation incurred during the nine months ended September 30, 2025, \$45 is allocated to cost of goods sold, \$36 to research and development, \$179 to selling and marketing, and \$318 to general and administrative expenses. Of the \$759 of share-based compensation incurred during the nine months ended September 30, 2024, \$81 is allocated to cost of goods sold, \$136 to research and development, \$198 to selling and marketing, and \$344 to general and administrative expenses.

Of the \$168 of share-based compensation incurred during the three months ended September 30, 2025, \$11 is allocated to cost of goods sold, \$9 to research and development, \$55 to selling and marketing, and \$93 to general and administrative expenses. Of the \$256 of share-based compensation incurred during the three months ended September 30, 2024, \$21 is allocated to cost of goods sold, \$35 to research and development, \$71 to selling and marketing, and \$129 to general and administrative expenses.

Restricted Stock Units

On February 5, 2024, the Company granted 24,447 restricted stock units of which 11,111 vested immediately. The fair value of the 24,447 restricted stock units was \$95 and an expense of \$8 and \$48 was recorded as compensation expense during the nine months ended September 30, 2025 and 2024, respectively.

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 11 - STOCK-BASED COMPENSATION (CONTINUED)

Restricted Stock Units (continued)

On April 12, 2024, the Company issued a total of 92,923 RSUs to the following employees: (i) 63,045 RSUs to the Chief Executive Officer; (ii) 20,165 RSUs to the Chief Revenue Officer; and (iii) 9,712 RSUs to the Chief Marketing Officer. Each of the RSUs granted will vest in three equal annual installments, with the first vesting date on the one (1) year anniversary of the date of issuance and the following two vesting dates on each subsequent anniversary of the date of issuance, subject to each employees' continued employment as of each vesting date. The fair value of the 92,923 RSUs was \$376 and an expense of \$94 and \$59 was recorded during the nine months ended September 30, 2025 and 2024, respectively.

On April 12, 2024, the board of directors authorized the issuance of 24,692 RSUs to each director in connection with their service as directors for the year ended December 31, 2023. The RSUs will vest in three equal annual installments, with the first vesting date on the one (1) year anniversary date of their issuance, subject to the directors continued service on with the Company on each vesting date. The fair value of the 148,152 RSUs issued to directors in total was \$600 and an expense of \$102 and \$94 was recorded during the nine months ended September 30, 2025 and 2024, respectively.

On June 24, 2024, the Company granted 2,417 RSUs. The RSUs will vest in three equal annual installments, with the first vesting date on the one (1) year anniversary date of their issuance, subject to the directors continued service on with the Company on each vesting date. The fair value of the 2,417 RSUs was \$19 and an expense of \$4 and \$1 was recorded as compensation expense during the nine months ended September 30, 2025 and 2024, respectively.

On August 19, 2024, the Company granted 81,710 RSUs. The RSUs will vest in three equal annual installments, with the first vesting date on the one (1) year anniversary of the date of issuance and the following two vesting dates on each subsequent anniversary of the date of issuance, subject to each employees' continued employment as of each vesting date. The fair value of the 81,710 RSUs was \$448 and an expense of \$89 and \$17 was recorded as compensation expense during the nine months ended September 30, 2025 and 2024, respectively.

On August 26, 2024, the Company granted 2,223 RSUs. The RSUs will vest in three equal annual installments, with the first vesting date on the one (1) year anniversary of the date of issuance and the following two vesting dates on each subsequent anniversary of the date of issuance, subject to such employee's continued employment as of each vesting date. The fair value of the 2,223 RSUs was \$12 and no expense was recorded as compensation expense during the nine months ended September 30, 2025 or 2024.

On April 1, 2025 and May 19, 2025, the Company granted 3,778 and 889 RSUs, respectively. The RSUs will vest in three equal annual installments, with the first vesting date on the one (1) year anniversary of the date of issuance and the following two vesting dates on each subsequent anniversary of the date of issuance, subject to each employees' continued employment as of each vesting date. The fair value of the RSUs was \$4 and \$1 was recorded as compensation expense during the nine months ended September 30, 2025.

The following table presents the RSU activity for the nine months ended September 30, 2025:

	Number of Shares	Weighted- Average Fair Market Value
Unvested shares, January 1, 2025	334,751	\$ 4.52
Granted and unvested	4,667	0.87
Forfeited	(61,286)	4.32
Vested	(108,971)	4.44
Unvested shares, September 30, 2025	169,161	\$ 4.55

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NOTE 11 - STOCK-BASED COMPENSATION (CONTINUED)

As of September 30, 2025 and 2024 there were 1,168,204 and 928,881 shares, respectively, of unissued authorized and available for future awards under the 2022 Equity Incentive Plan and Employee Stock Purchase Plan.

Employee Stock Purchase Plan

The Company maintains the Dragonfly Energy Corporation, Inc. Employee Stock Purchase Plan (“ESPP”) which permits eligible employees to purchase shares at not less than 85% of the market value of the Company’s common stock on the offering date or the purchase date of the applicable offering period, whichever is lower. The plan was adopted by the Company’s Board of Directors on May 13, 2022.

On April 24, 2024, the Company issued 27,197 common shares in connection with its Employee Stock Purchase Plan for a total consideration of approximately \$112. The ESPP allows employees to purchase shares at a 15% discount to the lesser of the stock price at the beginning or the end of the offering period, which was October 1, 2023, and April 1, 2024, respectively. The discount resulted in an exercise price of \$4.14 per share.

During the nine months ended September 30, 2025, the Company issued 87,506 common shares in connection with its Employee Stock Purchase Plan for a total consideration of approximately \$73. The ESPP allows employees to purchase shares at a 15% discount to the lesser of the stock price at the beginning or the end of the offering period, which was October 1, 2024 and April 1, 2025, respectively. The discount resulted in an exercise price of \$0.83 per share.

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NOTE 12 - REPORTABLE SEGMENTS

The Company has two reportable segments: DTC and OEM. The DTC segment pertains to Battle Born, LLC branded batteries which are sold directly to consumers. The OEM segment pertains to Dragonfly branded batteries which are sold to original equipment manufacturers

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance for all of its reportable segments based on both segment gross and net profit or loss from operations.

For the DTC and OEM, the Chief Operating Decision Maker (“CODM”) uses both segment gross and net profit and loss from operations to allocate resources (including employees, property, and financial or capital resources) for each segment predominantly in the annual budget and forecasting process.

Assets information for the reported segments is not disclosed as it is not used by the CODM in evaluating the performance of, or making decisions about, the reported segments.

The Company’s reportable segments are strategic business units that offer different branded products. They are managed separately because each segment requires different technology and marketing strategies.

The Company’s CODM is the Chief Executive Officer.

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 12 - REPORTABLE SEGMENTS (CONTINUED)

The following table presents the reportable segments information for the nine months ended September 30, 2025:

	<u>DTC</u>	<u>OEM</u>	<u>Other</u>	<u>Total</u>
Net Sales	\$ 16,001	\$ 28,820	\$ 750 ⁽¹⁾	\$ 45,571
<i>Reconciliation of Net Sales</i>				
Reconciling items				-
Consolidated Net Sales				<u>\$ 45,571</u>
Direct material	9,340	17,070	-	26,410
Direct labor	1,104	1,497	-	2,601
Direct overhead and depreciation	<u>1,395</u>	<u>1,896</u>	<u>-</u>	<u>3,291</u>
Total Cost of Goods Sold	11,839	20,463	-	32,302
Gross profit	4,162	8,357	750	13,269
Operating Expenses				
Research & development	-	-	2,277 ⁽²⁾	2,277
Sales tax adjustment	2	-	-	2
Credit card & amazon transaction fees	383	-	-	383
Other general & administrative	-	-	15,890 ⁽³⁾	15,890
Shipping	1,439	821	-	2,260
Sales and marketing stock compensation	29	104	-	133
Sales and marketing wages	550	943	-	1,493
Marketing spend	1,892	175	-	2,067
Rent	42	13	-	55
Unallocated sales and marketing stock compensation	-	-	46 ⁽⁴⁾	46
Unallocated sales and marketing wages	-	-	1,033 ⁽⁴⁾	1,033
Other sales & marketing	-	-	603 ⁽⁴⁾	603
Total Operating Expenses	4,337	2,056	19,849	26,242
Loss from operations	(175)	6,301	(19,099)	(12,973)
Interest expense, net	-	-	(16,552) ⁽⁵⁾	(16,552)
Change in FMV of warrant liability	<u>-</u>	<u>-</u>	<u>4,624</u>	<u>4,624</u>
Total Other Income (Expense)	-	-	(11,928)	(11,928)
Net Loss Before Taxes	(175)	6,301	(31,027)	(24,901)
Income Tax Benefit	-	-	-	-
Net Income (Loss)	\$ (175)	\$ 6,301	\$ (31,027)	\$ (24,901)
<i>Reconciliation of net loss</i>				
Reconciling items				-
Consolidated net loss				<u>\$ (24,901)</u>

DRAGONFLY ENERGY HOLDINGS CORP.
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NOTE 12 - REPORTABLE SEGMENTS (CONTINUED)

- (1) Licensing Revenue which is not considered a segment as it is currently immaterial
- (2) Research and Development expenses including employee costs related to new products
- (3) Administrative and Engineering employee costs along with legal, insurance, professional fees related to administration and other general office expenses
- (4) General sales and marketing employee cost and other marketing expenses
- (5) Interest expense related to debt and change in fair market value of warrant liability

There were no significant customer revenues from the Company's DTC segment for the nine months ended September 30, 2025.

Revenues from one customer of the Company's OEM segment represent approximately \$13,021, or 29%, of the Company's consolidated revenues for the nine months ended September 30, 2025.

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NOTE 12 - REPORTABLE SEGMENTS (CONTINUED)

The following table presents the reportable segments information for the nine months ended September 30, 2024:

	<u>DTC</u>	<u>OEM</u>	<u>Other</u>	<u>Total</u>
Net Sales	\$ 16,890	\$ 21,376	\$ 167	\$ 38,433
<i>Reconciliation of Net Sales</i>				
Reconciling items				-
Consolidated Net Sales				<u>\$ 38,433</u>
Direct material	10,104	13,896	-	24,000
Direct labor	1,069	1,379	-	2,448
Direct overhead and depreciation	<u>1,265</u>	<u>1,632</u>	<u>-</u>	<u>2,897</u>
Total Cost of Goods Sold	12,438	16,907	-	29,345
Gross profit	4,452	4,469	167	9,088
Operating Expenses				
Research & development	-	-	4,495 ⁽¹⁾	4,495
Sales tax adjustment	91	-	-	91
Credit card & amazon transaction fees	420	-	-	420
Other general & administrative	-	-	14,367 ⁽²⁾	14,367
Shipping	1,189	815	-	2,004
Sales and marketing stock compensation	41	115	-	156
Sales and marketing wages	616	1,088	-	1,704
Marketing spend	952	352	-	1,304
Rent	44	12	-	56
Unallocated sales and marketing stock compensation	-	-	42 ⁽³⁾	42
Unallocated sales and marketing wages	-	-	1,031 ⁽³⁾	1,031
Other sales & marketing	-	-	2,032 ⁽³⁾	2,032
Total Operating Expenses	3,353	2,382	21,967	27,702
Income (Loss) from Operations	1,099	2,087	(21,800)	(18,614)
Other income (expense)	-	-	(36)	(36)
Interest expense, net	-	-	(15,253) ⁽⁴⁾	(15,253)
Change in FMV of warrant liability	<u>-</u>	<u>-</u>	<u>3,130⁽⁴⁾</u>	<u>3,130</u>
Total Other Income (Expense)	-	-	(12,159)	(12,159)
Net Income (Loss) before taxes	<u>1,099</u>	<u>2,087</u>	<u>(33,959)</u>	<u>(30,773)</u>
Income Tax Benefit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ 1,099</u>	<u>\$ 2,087</u>	<u>\$ (33,959)</u>	<u>\$ (30,773)</u>
<i>Reconciliation of net loss</i>				
Reconciling items				-
Consolidated net loss				<u>\$ (30,773)</u>

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 12 - REPORTABLE SEGMENTS (CONTINUED)

- (1) Research and Development expenses including employee costs related to new products
- (2) Administrative and Engineering employee costs along with legal, insurance, professional fees related to administration and other general office expenses
- (3) General sales and marketing employee cost and other marketing expenses
- (4) Interest expense related to debt and change in fair market value of warrant liability

There were no significant customer revenues from the Company's DTC segment for the nine months ended September 30, 2024.

Revenues from one customer of the Company's OEM segment represent approximately \$5,534, or 15%, of the Company's consolidated revenues for the nine months ended September 30, 2024.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 12 - REPORTABLE SEGMENTS (CONTINUED)

The following table presents the reportable segments information for the three months ended September 30, 2025:

	<u>DTC</u>	<u>OEM</u>	<u>Other</u>	<u>Total</u>
Net Sales	\$ 5,038	\$ 10,679	\$ 250 ⁽¹⁾	\$ 15,967
<i>Reconciliation of Net Sales</i>				
Reconciling items				-
Consolidated Net Sales				<u>\$ 15,967</u>
Direct material	2,852	6,317	-	9,169
Direct labor	412	510	-	922
Direct overhead and depreciation	<u>510</u>	<u>630</u>	<u>-</u>	<u>1,140</u>
Total Cost of Goods Sold	3,774	7,457	-	11,231
Gross profit	1,264	3,222	250	4,736
Operating Expenses				
Research & development	-	-	585 ⁽²⁾	585
Sales tax adjustment	50	-	-	50
Credit card & amazon transaction fees	125	-	-	125
Other general & administrative	-	-	5,125 ⁽³⁾	5,125
Shipping	628	242	-	870
Sales and marketing stock compensation	11	29	-	40
Sales and marketing wages	176	277	-	453
Marketing spend	569	56	-	625
Rent	14	4	-	18
Unallocated sales and marketing stock compensation	-	-	15 ⁽⁴⁾	15
Unallocated sales and marketing wages	-	-	409 ⁽⁴⁾	409
Other sales & marketing	-	-	199 ⁽⁴⁾	199
Total Operating Expenses	1,573	608	6,333	8,514
Loss from operations	(309)	2,614	(6,083)	(3,778)
Interest expense, net	-	-	(6,409) ⁽⁵⁾	(6,409)
Change in FMV of warrant liability	-	-	(883)	(883)
Total Other Income (Expense)	-	-	(7,292)	(7,292)
Net Loss Before Taxes	<u>(309)</u>	<u>2,614</u>	<u>(13,375)</u>	<u>(11,070)</u>
Income Tax Benefit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ (309)</u>	<u>\$ 2,614</u>	<u>\$ (13,375)</u>	<u>\$ (11,070)</u>
<i>Reconciliation of net loss</i>				
Reconciling items				-
Consolidated net loss				<u>\$ (11,070)</u>

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 12 - REPORTABLE SEGMENTS (CONTINUED)

- (1) Licensing Revenue which is not considered a segment as it is currently immaterial
- (2) Research and Development expenses including employee costs related to new products
- (3) Administrative and Engineering employee costs along with legal, insurance, professional fees related to administration and other general office expenses
- (4) General sales and marketing employee cost and other marketing expenses
- (5) Interest expense related to debt and change in fair market value of warrant liability

There were no significant customer revenues from the Company's DTC segment for the three months ended September 30, 2025.

Revenues from one customer of the Company's OEM segment represents approximately \$5,575, or 35%, of the Company's consolidated revenues for the three months ended September 30, 2025.

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 12 - REPORTABLE SEGMENTS (CONTINUED)

The following table presents the reportable segments information for the three months ended September 30, 2024:

	<u>DTC</u>	<u>OEM</u>	<u>Other</u>	<u>Total</u>
Net Sales	\$ 5,153	\$ 7,400	\$ 167	\$ 12,720
<i>Reconciliation of Net Sales</i>				
Reconciling items				-
Consolidated Net Sales				<u>\$ 12,720</u>
Direct material	3,348	4,986	-	8,334
Direct labor	338	433	-	771
Direct overhead and depreciation	<u>327</u>	<u>418</u>	<u>-</u>	<u>745</u>
Total Cost of Goods Sold	4,013	5,837	-	9,850
Gross profit	1,140	1,563	167	2,870
Operating Expenses				
Research & development	-	-	1,631 ⁽¹⁾	1,631
Sales tax adjustment	31	-	-	31
Credit card & amazon transaction fees	118	-	-	118
Other general & administrative	-	-	4,212 ⁽²⁾	4,212
Shipping	493	254	-	747
Sales and marketing stock compensation	12	42	-	54
Sales and marketing wages	200	350	-	550
Marketing spend	324	115	-	439
Rent	15	4	-	19
Unallocated sales and marketing stock compensation	-	-	17 ⁽³⁾	17
Unallocated sales and marketing wages	-	-	374 ⁽³⁾	374
Other sales & marketing	<u>-</u>	<u>-</u>	<u>704⁽³⁾</u>	<u>704</u>
Total Operating Expenses	1,193	765	6,938	8,896
Loss from Operations	(53)	798	(6,771)	(6,026)
Other income (expense)	-	-	(13)	(13)
Interest expense, net	-	-	(5,615) ⁽⁴⁾	(5,615)
Change in FMV of warrant liability	<u>-</u>	<u>-</u>	<u>4,875⁽⁴⁾</u>	<u>4,875</u>
Total Other Income (Expense)	-	-	(753)	(753)
Net Loss before taxes	<u>(53)</u>	<u>798</u>	<u>(7,524)</u>	<u>(6,779)</u>
Income Tax Benefit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ (53)</u>	<u>\$ 798</u>	<u>\$ (7,524)</u>	<u>\$ (6,779)</u>
<i>Reconciliation of net loss</i>				
Reconciling items				-
Consolidated net loss				<u>\$ (6,779)</u>

DRAGONFLY ENERGY HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 12 - REPORTABLE SEGMENTS (CONTINUED)

- (1) Research and Development expenses including employee costs related to new products
- (2) Administrative and Engineering employee costs along with legal, insurance, professional fees related to administration and other general office expenses
- (3) General sales and marketing employee cost and other marketing expenses
- (4) Interest expense related to debt and change in fair market value of warrant liability

There were no significant customer revenues from the Company's DTC segment for the three months ended September 30, 2024.

Revenues from one customer of the Company's OEM segment represent approximately \$2,007, or 16%, of the Company's consolidated revenues for the three months ended September 30, 2024.

NOTE 13 - SUBSEQUENT EVENTS

On October 6, 2025, the Company entered into the First Offering Underwriting Agreement with Canaccord, as representative of the First Offering Underwriters, relating to the First October 2025 Offering of 20,000,000 shares of common stock, at a price to the public of \$1.25 per share. Pursuant to the terms of the First Offering Underwriting Agreement, the Company granted to the First Offering Underwriters a 30-day option to purchase up to an additional 3,000,000 shares of common stock in the First October 2025 Offering at the public price which the First Offering Underwriters exercised. On October 7, 2025, the Company completed the First October 2025 Offering of 23,000,000 shares of common stock raising gross proceeds of approximately \$27,025 and net proceeds of \$26,925 after deducting underwriting discounts and commissions and other estimated offering expenses payable by the Company.

On October 15, 2025 at the 2025 Annual Meeting of Stockholders (the "Annual Meeting") of the Company, the Company's stockholders approved an amendment (the "Plan Amendment") to the Company's 2022 Equity Incentive Plan (the "2022 Plan") increasing the number of shares available for issuance under the 2022 Plan by 9,000,000 shares. The Plan Amendment became effective following its approval by the Company's stockholders.

On October 16, 2025, the Company entered into the Second Offering Underwriting Agreement with Canaccord, as representative of the Second Offering Underwriters, relating to the Second October 2025 Offering of (i) 36,000,000 shares of common stock, at a price to the public of \$1.35 per share and (ii) pre-funded warrants to purchase up to 5,000,000 shares of common stock at a price to the public of \$1.3499 per pre-funded warrant. On October 17, 2025, the Company completed the Second October 2025 Offering raising gross proceeds of approximately \$52,028 and net proceeds of \$51,928 after deducting underwriting discounts and commissions and other estimated offering expenses payable by the Company.

On October 20, 2025, the Company entered into the Sixth Amendment to the Term Loan Agreement to, among other matters, (i) adjust the fixed interest rate of the remaining outstanding principal amount under the Term Loan Agreement to a fixed interest rate of 12% per annum, payable monthly commencing December 31, 2025 that will mature in October 2027, and (ii) waive any applicable financial covenants (except for a financial covenant requiring the Company to maintain cash and cash equivalents equal to or greater than \$5,000) through December 31, 2026. In connection with the Sixth Amendment, (i) the Company made a prepayment of \$45,000 of outstanding indebtedness under the Term Loan Agreement from the net proceeds from the Second October 2025 Offering, (ii) the lenders forgave the repayment of \$5,000 of the outstanding principal under the Term Loan Agreement, (iii) the Company paid a fee to the lenders equal to approximately \$450 in cash and \$450 added to principal outstanding amount of the loan under the Term Loan Agreement; and (iv) the Company agreed to issue 25,000 shares of newly created Series B Preferred Stock of the Company in exchange for \$25,000 outstanding principal amount of the Term Loan.

After the prepayments made as part of the First Offering in the amount of \$4,000 and the effects of the Sixth Amendment to the Term Loan Agreement, the remaining debt is \$18,612.

DRAGONFLY ENERGY HOLDINGS CORP.

On November 4, 2025, the Company and the lenders entered into the Exchange Agreement pursuant to which the Company issued 25,000 shares of newly created Series B Preferred Stock in exchange for \$25,000 outstanding principal amount of the Term Loan.

On November 4, 2025, the Company filed a Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Restrictions of Series B Convertible Preferred Stock of the Company (the "Series B Certificate of Designation") with the Secretary of State of the State of Nevada to establish the rights, privileges, preferences, and restrictions of the Series B Preferred Stock. As set forth in the Certificate of Designation, the Company designated 25,000 shares of preferred stock as Series B Preferred Stock with a stated value of \$1,000 per share.

On November 4, 2025, the Company issued 25,000 shares of Series B Preferred Stock to the lenders pursuant to the Exchange Agreement. The Series B Preferred Stock (i) is convertible into shares of common stock at the option of the lenders at a conversion price of \$3.15 per share, or an aggregate of 7,936,508 shares of common stock, (ii) has a dividend of 8% per annum payable quarterly in cash and (iii) has a dividend of 2% per annum payable quarterly in kind ("PIK Dividends"), which includes the aggregate amount of all paid PIK Dividends and any accrued and unpaid PIK Dividends on the applicable dividend date. In addition, the Company has a right to redeem any outstanding shares of the Series B Preferred Stock at its option at the greater of (i) the stated value plus any accrued and unpaid dividends and (ii) the as-converted value of the shares of common stock underlying the Series B Preferred Stock at the time of redemption (the "Optional Redemption Price"). The lenders have also agreed not to convert any shares of the Series B Preferred Stock for a period of six months following the issuance of the Series B Preferred Stock. In connection with any future equity offerings, the Company will be required to use 50% of the net proceeds from such offering to redeem outstanding shares of the Series B Preferred Stock at the Optional Redemption Price. In the event the Company has not redeemed the outstanding shares of Series B Preferred Stock by October 7, 2027 or upon the occurrence of a Non-Payment Event (as defined in the Series B Certificate of Designation), the holders will have the right to require the Company to redeem the Series B Preferred Stock at the Optional Redemption Price.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References in this report (the “Quarterly Report”) to “we,” “us,” “our” or the “Company” refer to Dragonfly Energy Holdings Corp., a Nevada corporation. References to “Legacy Dragonfly” refer to Dragonfly Energy Corp., a Nevada corporation and one of our wholly-owned subsidiaries. The following discussion and analysis of the Company’s financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto contained elsewhere in this Quarterly Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and the related notes and the other financial information included elsewhere in this Quarterly Report and with our audited consolidated financial statements (and notes thereto) for the year ended December 31, 2024 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 31, 2025 (the “Annual Report”), particularly those under “Risk Factors.” This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report. We undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this report or to reflect actual outcomes.

CAUTIONARY NOTE REGARDING FORWARD LOOKING-STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as “may,” “can,” “anticipate,” “assume,” “should,” “indicate,” “would,” “believe,” “contemplate,” “expect,” “seek,” “estimate,” “continue,” “plan,” “point to,” “project,” “predict,” “could,” “intend,” “target,” “potential” and other similar words and expressions of the future.

There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statement made by us. These factors include, but are not limited to:

- our ability to service our outstanding indebtedness and comply with the financial covenants in our loan agreement, the failure of which could allow our lenders to accelerate payment under our loan agreement, which would have a material adverse effect on our ability to operate and could require, among other things, to reduce operations, sell off our assets, seek the protection of bankruptcy courts or shut down our operations and dissolve;
- our ability to raise additional capital to fund our operations;
- our ability to successfully increase market penetration into target markets;
- our ability to maintain the listing of our common stock and public warrants on the Nasdaq Capital Market;
- the addressable markets that we intend to target do not grow as expected;
- the potential for events or circumstances that result in our failure to timely achieve the anticipated benefits of our customer arrangements with THOR Industries and its affiliate brands (including Keystone RV Company (“Keystone”)), including Keystone’s decision in July 2023, that, due to weaker demand for its products and its subsequent focus on reducing costs, it would no longer install our storage solutions as standard equipment, but rather return to offering those solutions as an option to dealers and consumers;

- our ability to generate revenue from future product sales in our existing markets or new markets that we enter, including the trucking and industrials markets, and our ability to achieve and maintain profitability;
- the loss of any members of our senior management team or other key personnel;
- the loss of any relationships with key suppliers, including suppliers in China;
- the loss of any relationships with key customers;
- our ability to protect our patents and other intellectual property;
- our ability to engage target customers and successfully retain these customers for future orders;
- the failure to successfully optimize solid-state cells or to produce commercially viable solid-state cells in a timely manner or at all, or to scale to mass production;
- the failure to produce lithium battery cells in the United States in a timely manner or at all, or to scale to mass production;
- the failure to timely achieve the anticipated benefits of our recent licensing arrangement with Stryten Energy LLC (“Stryten”);
- changes in applicable laws or regulations, including changes in the rates of tariffs or any adjustments to the amounts payable by us to customs as a result of improperly identifying the applicable tariff rate payable on our products;
- the possibility that we may be adversely affected by other economic, business and/or competitive factors (including an economic slowdown or inflationary pressures);
- our ability to sell the desired amounts of shares of common stock at desired prices under our committed equity facility;
- the accuracy of our projections and estimates regarding our expenses, capital requirements, cash utilization, and need for additional financing;
- developments relating to our competitors and our industry;
- the reliance on two suppliers for our lithium iron phosphate cells and a single supplier for the manufacture of our battery management system;
- our current dependence on one manufacturing facility; and
- the potential impact of global and macroeconomic conditions, including economic, political and social instability, including the Russia-Ukraine conflict, the India-Pakistan conflict and Hamas’ attack on Israel, and their effects on our operations.

The foregoing does not represent an exhaustive list of matters that may be covered by the forward-looking statements contained herein or risk factors that we are faced with that may cause our actual results to differ from those anticipated in such forward-looking statements. Please see “*Part I-Item 1A-Risk Factors*” of our Annual Report and in this Quarterly Report for additional risks which could adversely impact our business and financial performance.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this Quarterly Report or the date of the document incorporated by reference into this report. We have no obligation, and expressly disclaims any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. We have expressed our expectations, beliefs and projections in good faith and believe they have a reasonable basis. However, we cannot assure you that our expectations, beliefs or projections will result or be achieved or accomplished.

Overview

Our Business

We are a manufacturer of non-toxic deep cycle lithium-ion batteries that caters to customers in the consumer industry (including the recreational vehicle (“RV”), marine vessel, solar and off-grid residence industries), and trucking, industrial and energy storage markets, with proprietary, patented and disruptive battery cell manufacturing and non-flammable solid-state cell technology currently under development.

Since 2020, we have sold over 360,000 batteries. For the quarters ended September 30, 2025, and September 30, 2024, we sold 10,977 and 10,283 batteries, respectively, and had \$16.0 million and \$12.7 million in net sales, respectively. For the nine months ended September 30, 2025 and September 30, 2024, we sold 33,956 and 32,907 batteries, respectively, and had \$45.6 million and \$38.4 million in net sales, respectively. We currently offer several lines of batteries across our two brands, each differentiated by size, power and capacity, consisting of seven different models, which come with an option for internal heat for cold temperature operation or an option for wireless communication using our Dragonfly IntellLigence feature. We primarily sell “Battle Born” branded batteries directly to consumers (“DTC”) and “Dragonfly” branded batteries to original equipment manufacturers (“OEMs”).

Our increase in sales is a reflection of a slight recovery in the motorized RV market and increased market penetration as compared to prior quarter and prior year. Although our existing RV OEM customers have only slightly increased their year-over-year production rates, the incorporation of lithium storage systems has accelerated faster than the increase in RV units shipped. This is in contrast to the de-contenting trend that had occurred over the previous 18 months. DTC sales remained relatively flat, indicating generally constant consumer sentiment in the space.

During the third quarter of 2025, we continued to implement our corporate optimization initiative, prioritizing product development to drive near term revenue and profit. For instance, this strategic shift is accelerating our development of purpose-built solutions for the trucking and industrial markets, resulting in the recent launch of our Battle Born DualFlow Power Pack, a practical, cost-effective hybrid electrification solution for the trucking industry.

We currently source the lithium iron phosphate (“LFP”) cells incorporated into our batteries from a limited number of carefully selected suppliers that can meet our demanding quality standards and with whom we have developed long-term relationships.

To supplement our battery offerings, we are also a reseller of accessories for battery systems. These include chargers, inverters, monitors, controllers and other system accessories from brands such as Victron Energy, Progressive Dynamics, Magnum Energy and Sterling Power. Pursuant to the Asset Purchase Agreement dated April 22, 2022 by and among us and Thomason Jones Company, LLC (“Thomason Jones”) and the other parties thereto, we also acquired the assets, including the Wakespeed Offshore brand (“Wakespeed”) of Thomason Jones, allowing us to include our own alternator regulator in systems that we sell.

In addition to our conventional LFP batteries, we have been developing proprietary dry electrode cell manufacturing processes and solid-state cell technology. We believe that our solid-state technology design allows for a much safer, more efficient battery cell that we believe will be a key differentiator in the energy storage market.

In July 2023, we completed the construction of our proprietary and patented cell electrode manufacturing pilot line. Our patented dry deposition process is chemistry agnostic – meaning it can produce battery cells across a variety of chemistries – and is less capital intensive, uses less energy, and can produce cells in a smaller manufacturing footprint, leading to a lower total cost of manufacturing. In August 2023, we successfully demonstrated the ability to produce anode material at scale using this manufacturing process and did the same with cathode material in October 2023. We have since produced sample cells using PFAS-free binders and automotive-grade electrode loadings and C-rates, and are now working on the design and deployment of scaled-up coating equipment that can be applied to a GWh-scale factory, reflecting the shift in industry priorities from cell performance to cost-effective scalability.

As of September 30, 2025, we had cash totaling \$3.8 million. Our net loss for the quarter ended September, 2025 was \$11.1 million and our net loss for the quarter ended September 30, 2024 was \$6.8 million. As set forth below, we raised additional capital and reduced a portion of our outstanding indebtedness after September 30, 2025.

As discussed under “—*Liquidity and Capital Resources*” below we expect that we will need to raise additional funds, including through the issuance of equity, equity-related or debt securities or by obtaining additional credit from financial institutions to fund, together with our principal sources of liquidity, ongoing costs. If such financings are not available, or if the terms of such financings are less desirable than we expect, we may be forced to take actions to reduce our capital or operating expenditures, including not seeking potential acquisition opportunities, eliminating redundancies, or reducing or delaying our production facility expansions, reduce operations, sell off our assets, seek the protection of bankruptcy courts or shut down our operations and dissolve.

License Agreement with Stryten

On July 29, 2024, Legacy Dragonfly and Battle Born Battery Products, LLC (“Battle Born LLC”), a wholly-owned subsidiary of Legacy Dragonfly, entered into a License Agreement (the “License Agreement”) with Stryten. Pursuant to the License Agreement, Battle Born LLC granted Stryten an exclusive, worldwide license to use certain trademarks relating to Legacy Dragonfly’s lithium-ion battery brand, Battle Born Batteries® (the “Licensed Trademarks”) for business-to-business sales of batteries to customers within the following markets: (i) automotive, (ii) marine, (iii) powersports, (iv) lawn and garden, (v) golf cart, and (vi) military and defense (such industries, the “Stryten Market”). In exchange for the licensing rights, Stryten agreed to pay Battle Born LLC an initial licensing fee of \$5,000,000 (the “Initial Licensing Fee”), which was paid on August 29, 2024.

The License Agreement provides for mid-single digit royalty payments based on net sales using the Licensed Trademarks, with a tiered structure reaching up to \$25,000,000, at which point Stryten will be required to pay a nominal annual license fee. Additional fees will apply for battery design and contract manufacturing services outside of the License Agreement. The License Agreement is perpetual in term, unless terminated by: (i) Battle Born LLC if Stryten fails to pay the royalty payments required by the License Agreement and such royalty payments remain unpaid thirty (30) days after notice of such overdue payments (provided that Battle Born LLC uses reasonable efforts to discuss such overdue payments with Stryten), or (ii) either party (x) if the other party materially breaches the License Agreement and fails to cure such material breach within thirty (30) days of notice of such breach, (y) upon the occurrence of certain bankruptcy-related events, or (z) under certain circumstances, if the aggregate royalty payments received by Battle Born LLC under the License Agreement are less than \$15,000,000 after five (5) years.

Earnout Merger Consideration

In addition to the initial merger consideration in connection with our business combination in October of 2022, up to 4,444,445 additional shares of common stock (“Earnout Shares”) may be issued based on achieving specified milestones in three tranches:

1. First Tranche (1,666,667 shares): Issuable if 2023 total audited revenue is at least \$250 million and audited operating income is at least \$35 million. This milestone was not achieved for 2023.
2. Second Tranche (1,388,889 shares): Issuable if the volume-weighted average trading price of common stock reaches \$202.50 over any 20 trading days within a 30-day period, on or before December 31, 2026.
3. Third Tranche (1,388,889 shares): Issuable if the volume-weighted average trading price of common stock reaches \$292.50 over any 20 trading days within a 30-day period, on or before December 31, 2028.

If a change of control occurs during the second or third earnout periods, unachieved milestones will be automatically deemed satisfied if the share price at the time of the transaction meets or exceeds \$202.50 for the second period or \$292.50 for the third period.

ChEF Equity Facility

We and Chardan Capital Markets LLC, a New York limited liability company (“CCM LLC”) entered into a purchase agreement (as amended, the “ChEF Purchase Agreement”) and a Registration Rights Agreement in connection with our merger in October 2022 (the “Business Combination”). Pursuant to the Original Purchase Agreement, we have the right to sell to CCM LLC an amount of shares of common stock, up to a maximum aggregate purchase price of \$150 million, pursuant to the terms of the ChEF Purchase Agreement (the “ChEF Equity Facility”), subject to certain restrictions set forth in the Term Loan Agreement (as defined below). The ChEF Purchase Agreement terminates in December 2025. In connection with the October 2025 Public Offering, we agreed not to sell shares of our common stock for a period of 90 days following the closing of the offering, subject to certain exceptions.

On February 26, 2025, we entered into a securities purchase agreement with a single institutional investor, pursuant to which we sold in a registered direct offering (the “Registered Direct Offering”) 180 shares of Series A Convertible Preferred Stock, par value \$0.0001 per share (the “Series A Preferred Stock”), at a price of \$10,000 per share, initially convertible into shares of our common stock, at a conversion price of \$2.332 per share of common stock. The Series A Preferred Stock was also convertible by the investor at an adjusted conversion price, subject to the applicable floor price.

Concurrently with the sale of the Series A Preferred Stock in the Registered Direct Offering, in a private placement offering pursuant to the Purchase Agreement (the “Private Placement” and, together with the Registered Direct Offering, the “Offerings”), we sold, at the initial closing of the Private Placement (the “Initial Closing” and, together with the Registered Direct Offering, the “Initial Offerings”), (i) an additional 170 shares of Series A Preferred Stock at the same offering price as the Series A Preferred Stock offered in the Registered Direct Offering, initially convertible into shares of common stock at a conversion price of \$2.332 per share, and (ii) warrants (the “Private Placement Convertible Preferred Warrants”) to purchase up to an aggregate of 4,000 shares of Series A Preferred Stock (the “Private Placement Warrant Shares”), with an exercise price of \$10,000 per share of Series A Preferred Stock, and a term as described below.

The exercise price under each Private Placement Convertible Preferred Warrant was \$10,000 per share of Series A Preferred Stock. Each Private Placement Convertible Preferred Warrant was exercisable for 200 shares of Series A Preferred Stock in minimum increments of \$500,000. The Private Placement Convertible Preferred Warrants had a term beginning on the issuance date and ending on or prior to the earlier of (i) the thirty-three (33) month anniversary of the date the shares of common stock issued or issuable upon the conversion of the Series A Preferred Stock issued in the concurrent Private Placement were registered for resale (“Registration Effectiveness”) pursuant to an effective registration statement under the Securities Act of 1933, as amended, (the “Securities Act”) (such date, the “Registration Effectiveness Date”) and (ii) (A) the consummation of a Change of Control (as defined in the certificate of designation) and (B) the consummation of a redemption of the then outstanding Series A Preferred Stock in full. The exercise price and number of shares of Series A Preferred Stock issuable upon exercise was subject to appropriate adjustment in the event of share dividends, share splits, reorganizations or similar events affecting shares of our common stock.

On April 28, 2025, pursuant to the Purchase Agreement, we sold to the Purchaser, in the second closing of the Private Placement (the “Second Closing”) 450 Preferred Shares at a price of \$10,000 per share, initially convertible into shares of common stock at a conversion price of \$0.594 per share, subject to adjustment.

The net proceeds to us from the Initial Offerings and the Second Offering, after deducting the placement agent’s fees and expenses and estimated offering expenses, were approximately \$3.2 million and \$4.2 million, respectively, excluding the net proceeds, if any, from the exercise of the Private Placement Convertible Preferred Warrants.

As a condition precedent to the closing of the Initial Offerings, on February 26, 2025, we entered into the Fifth Amendment (the “Fifth Amendment”) to the Term Loan Agreement with the Term Loan Lenders. Under the Fifth Amendment, the Term Loan Lenders agreed to, among other matters (i) receive no principal or interest payments under the Term Loan Agreement through March 31, 2026, and (ii) remove certain financial covenant tests under the Term Loan, provided that we maintain cash and cash equivalents equal to at least \$2.5 million through such date.

On June 23, 2025, we and the holder of Private Placement Convertible Preferred Warrants agreed to cancel such holder’s Private Placement Convertible Preferred Warrants to purchase up to an aggregate of 4,000 shares of Series A Preferred Stock, with an exercise price of \$10,000 per share of Series A Preferred Stock. As a result, the Private Placement Convertible Preferred Warrants are no longer outstanding.

On July 20, 2025, we entered into a Settlement and Release Agreement (the “Release Agreement”) with the holder of the outstanding shares of Series A Preferred Stock. Pursuant to the terms of the Release Agreement, we issued and delivered 2,100,000 shares of common stock to the holder and the holder surrendered to the Company all of the outstanding shares of Series A Preferred Stock. In addition, under the Release Agreement, upon the issuance of the shares of common stock, our obligations under the Purchase Agreement, the Certificate of Designation governing the Series A Preferred Stock and the other agreements entered into in connection with the offering of the Series A Preferred Stock were satisfied in full and the Purchase Agreement and the other agreements were deemed terminated and any remaining shares of Series A Preferred Stock that were outstanding or deemed to be outstanding were deemed cancelled and no longer outstanding. We have no further obligation to issue any shares of common stock or Series A Preferred Stock to the holder under the Purchase Agreement or otherwise. Under the Release Agreement, each party also provided a full release to the other party.

July 2025 Offering

On July 30, 2025, we entered into an underwriting agreement with Canaccord Genuity LLC (“Canaccord”), as representative of the several underwriters named in the certain underwriting agreement, relating to an underwritten public offering (the “July 2025 Public Offering”) of 21,980,000 shares of common stock, at a price to the public of \$0.25 per share. On July 31, 2025, we completed the July 2025 Public Offering raising gross proceeds of approximately \$5.5 million and net proceeds of \$4.7 million after deducting underwriting discounts and commissions and other estimated offering expenses payable by us.

October 2025 Offerings

On October 6, 2025, we entered into an underwriting agreement with Canaccord, as representative of the several underwriters (the “First Offering Underwriters”) named in the underwriting agreement dated October 6, 2025, relating to an underwritten public offering (the “First October 2025 Offering”) of 20,000,000 shares of common stock at a price to the public of \$1.25 per share, which includes the First Offering Underwriters’ option to purchase an additional 3,000,000 shares of common stock, at a public offering price of \$1.25 per share. On October 8, 2025, we completed the First October 2025 Offering, including the full exercise of the additional 3,000,000 shares of common stock, raising gross proceeds of approximately \$28.8 million and net proceeds of \$26.9 million after deducting underwriting discounts and commissions and other estimated offering expenses payable by us. On October 8, 2025 upon a request from our Term Loan Lenders under the term loan agreement, we repaid \$4.0 million of principal to satisfy a portion of its outstanding principal under the Term Loan Agreement. On October 16, 2025, we entered into an additional underwriting agreement with Canaccord, as representative of the several underwriters (the “Second Offering Underwriters”) named in the underwriting agreement, dated October 17, 2025 (the “Second Offering Underwriting Agreement”), relating to an underwritten public offering (the “Second October 2025 Offering”) of 36,000,000 shares of common stock at a price to the public of \$1.35 per share, and (ii) prefunded warrants (the “October 2025 Pre-Funded Warrants”) to purchase up to 5,000,000 shares of common stock (the “Pre-Funded Warrant Shares”) at a price to the public of \$1.3499 per October 2025 Pre-Funded Warrant, which represents the per share public offering price for the Shares (as defined below) less the \$0.0001 per share exercise price for each such Pre-Funded Warrant.

Sixth Amendment to Term Loan, Series B Preferred Stock Issuance and 2025 Debt Restructuring

In addition, our existing Term Loan Agreement (as defined below) with the Term Loan Lenders (as defined below) was amended on October 20, 2025 (the “Sixth Amendment”) to restructure our outstanding indebtedness. On November 4, 2025, we entered into an exchange agreement (the “Exchange Agreement”) with the Term Loan Lenders pursuant to we issued 25,000 shares of newly created Series B Convertible Preferred Stock (the “Series B Preferred Stock”) in exchange for \$25.0 million outstanding principal amount of the Term Loan. Please see “- *Liquidity and Capital Resources*” below for additional information.

Key Factors Affecting Our Operating Results

Our financial position and results of operations depend to a significant extent on the following factors:

End Market Consumers

The demand for our products ultimately depends on demand from consumers in our current end markets. We generate sales through (1) DTC and (2) through OEMs, particularly in the RV market.

An increasing proportion of our sales has been and is expected to continue to be derived from sales to RV OEMs, driven by continued efforts to develop and expand sales to RV OEMs with whom we have longstanding relationships. Our RV OEM sales have been on a purchase order basis, without firm revenue commitments, and we expect that this will likely continue to be the case. Therefore, future RV OEM sales will be subject to risks and uncertainties, including the number of RVs these OEMs manufacture and sell, which in turn may be driven by the expectations these OEMs have around end market consumer demand.

Demand from end market consumers is impacted by a number of factors, including travel restrictions, fuel costs and energy demands (including an increasing trend towards the use of green energy), as well as overall macro-economic conditions and inflation. Sales of our batteries have benefited from the increased adoption of the RV lifestyle, the demand for and inclusion of additional appliances and electronics in RVs, and the accelerating trend of solar power adoption among RV customers. However, macro-economic conditions and increased competition from imported battery packs have led to a decrease in direct to consumer sales. We have addressed this decrease through product diversification by the release of our Dragonfly IntelLigence feature, as well as more targeted marketing efforts to increase the efficiency of our marketing spend. We expect that direct to consumer sales will remain relatively flat through 2025. However, we expect growth among our existing RV OEM customers due to an overall increase in RV shipments as our customers expanding the number of models that will include our battery systems in the new model year. Moreover, we expect increased revenue through our market diversification efforts – especially in our industrials market, including industrial solar and oil and gas, as well as the trucking market, in which we have been piloting our systems with fleets for the last two years.

Our strategy includes plans to expand into new end markets that we have identified as opportunities for our LFP batteries, including, rail, specialty and work vehicles, material handling, solar integration, and emergency and standby power, in the medium term, and data centers, telecom and distributed on-grid storage in the longer term. We believe that our current LFP batteries and, eventually, our solid-state batteries, will be well-suited to supplant traditional lead-acid batteries as a reliable power source for the variety of low power density uses required in these markets (such as powering the increasing number of on-board tools needed in emergency vehicles). The success of this strategy requires (1) continued growth of these addressable markets in line with our expectations and (2) our ability to successfully enter these markets. We expect to incur significant marketing costs understanding these new markets, and researching and targeting customers in these end markets, which may not result in sales. If we fail to execute on this growth strategy in accordance with our expectations, our sales growth would be limited to the growth of existing products and existing end markets.

Supply

We currently rely on two carefully selected cell manufacturers located in China, and a single supplier, also located in China, to manufacture our proprietary battery management system. Our close working relationships with our China-based LFP cell suppliers, reflected in our ability to increase our purchase order volumes (qualifying us for related volume-based discounts) and order and receive delivery of cells in anticipation of required demand, has helped us moderate increased supply-related costs associated with inflation, currency fluctuations and U.S. government tariffs imposed on our imported battery cells and to avoid potential shipment delays. To mitigate against potential adverse production events, we opted to build our inventory of key components, such as battery cells. However, as many of the supply chain challenges and delays that were prevalent over the last several years have eased, we are actively working down our inventory to more appropriate safety stock levels.

As a result of our battery chemistry and active steps we have taken to manage our inventory levels, we have not been subject to the shortages or price impacts that have been present for manufacturers of nickel manganese cobalt and nickel cobalt aluminum batteries. As we look toward the production of our solid-state cells, we have signed a Commercial Offtake Agreement with a lithium mining company located in Nevada for the supply of lithium, which we expect will enable us to further manage our cost of goods over time.

Product and Customer Mix

Our product sales consist of sales of seven different models of LFP batteries, along with accessories for battery systems (individually or bundled). These products are sold to different customer types (e.g., consumers, OEMs and distributors) and at different prices and involve varying levels of costs. In any particular period, changes in the mix and volume of particular products sold and the prices of those products relative to other products will impact our average selling price and our cost of goods sold. Despite our work to moderate increased supply-related costs, the price of our products may also increase as a result of increases in the cost of components due to inflation, currency fluctuations and tariffs. OEM sales typically result in lower average selling prices and related margins, which could result in margin erosion, negatively impact our growth or require us to raise our prices. However, this reduction is typically offset by the benefits of increased sales volumes. Sales of third-party sourced accessories typically have lower related margin. We expect accessory sales to increase as we further develop full-system design expertise and product offerings and consumers increasingly demand more sophisticated systems, rather than simple drop-in replacements. In addition to the impacts attributable to the general sales mix across our products and accessories, our results of operations are impacted by the relative margins of products sold. As we continue to introduce new products at varying price points, our overall gross margin may vary from period to period as a result of changes in product and customer mix.

Production Capacity

All of our battery assembly currently takes place at our 390,240 square foot headquarters and manufacturing facility located in Reno, Nevada. While the lease for the 99,000 facility is continuing, no manufacturing is taking place in this location. We currently operate three LFP battery production lines. Consistent with our operating history, we plan to continue to automate additional aspects of our battery production lines. Our existing facility has the capacity to add up to four additional LFP battery production lines and construct and operate a pilot production line for our solid-state cells, all designed to maximize the capacity of our manufacturing facility. Although our automation efforts are expected to reduce our costs of goods, we may not fully recognize the anticipated savings when planned and could experience additional costs or disruptions to our production activities. We have also focused on optimizing our manufacturing efficiency and throughput, enabling us to increase our production capacity without the need for increased headcount.

Competition

We compete with traditional lead-acid battery manufacturers and lithium-ion battery manufacturers, who primarily either import their products or components or manufacture products under a private label. As we continue to expand into new markets, develop new products and move towards production of our own conventional LFP cells and, in the longer term, solid state cells, we will experience competition with a wider range of companies. These competitors may have greater resources than we do and may be able to devote greater resources to the development of their current and future technologies. Our competitors may be able to source materials and components at lower costs, which may require us to evaluate measures to reduce our own costs, lower the price of our products or increase sales volumes in order to maintain our expected levels of profitability.

Research and Development

Our research and development is currently primarily focused on the scaling our proprietary dry electrode process for domestic production of full LFP cells. Although we have reallocated resources from the advanced manufacturing of solid-state lithium-ion batteries in order to focus on conventional cells, we expect to return to the solid-state chemistry as capital becomes more available for these longer term projects.

Components of Results of Operations

Net Sales

Net sales are primarily generated from the sale of our LFP batteries to OEMs and directly to consumers, as well as chargers and other accessories, either individually or bundled.

Cost of Goods Sold

Cost of goods sold includes the cost of cells and other components of our LFP batteries, labor and overhead, logistics and freight costs, and depreciation of manufacturing equipment.

Gross Profit

Gross profit, calculated as net sales less cost of goods sold, may vary between periods and is primarily affected by various factors including average selling prices, product costs, product mix and customer mix.

Operating Expenses

Research and development

Research and development costs include personnel-related expenses for scientists, experienced engineers and technicians as well as the material and supplies to support the development of new products and our solid-state technology.

General and administrative

General and administrative costs include personnel-related expenses attributable to our executive, finance, human resources, and information technology organizations, certain facility costs, and fees for professional services.

Selling and marketing

Selling and marketing costs include outbound freight, personnel-related expenses, as well as trade show, industry event, marketing, customer support, and other indirect costs. We expect to continue to make the necessary sales and marketing investments to enable the execution of our strategy, which includes expanding into additional end markets.

Total Other (Expense)

Other expense consists primarily of interest expense, the change in fair value of the warrant liability and amortization of debt issuance costs.

Results of Operations

Comparisons for the Three months ended September 30, 2025, and September 30, 2024

The following table sets forth our results of operations for the three months ended September 30, 2025 and September 30, 2024. This data should be read together with our financial statements and related notes included elsewhere in this Quarterly Report, and is qualified in its entirety by reference to such financial statements and related notes.

	Three months ended September 30,			
	2025	% Net Sales	2024	% Net Sales
	(in thousands)			
Net Sales	\$ 15,967	100.0	\$ 12,720	100.0
Cost of Goods Sold	11,231	70.3	9,850	77.4
Gross profit	4,736	29.7	2,870	22.6
Operating expenses				
Research and development	585	3.7	1,631	12.8
General and administrative	5,299	33.2	4,361	34.3
Sales and marketing	2,630	16.5	2,904	22.8
Total Operating expenses	8,514	53.3	8,896	69.9
Loss From Operations	(3,778)	(23.7)	(6,026)	(47.4)
Other Income (Expense)				
Interest expense, net	(6,409)	(40.1)	(5,615)	(44.1)
Other expense	-	-	(13)	(0.1)
Change in fair market value of warrant liability	(883)	(5.5)	4,875	38.3
Total Other Expense	(7,292)	(45.7)	(753)	(5.9)
Loss Before Taxes	(11,070)	(69.3)	(6,779)	(53.3)
Income Tax Benefit	-	-	-	-
Net Loss	\$ (11,070)	(69.3)	\$ (6,779)	(53.3)

	Three months ended September 30,	
	2025	2024
	(in thousands)	
DTC	5,038	5,153
% Net Sales	31.6	40.5
OEM	10,679	7,400
% Net Sales	66.9	58.2
Licensing Fee	250	167
% Net Sales	1.5	1.3
Net Sales	\$ 15,967	12,720

Net Sales

Net sales increased by \$3.2 million, or 25.5%, to \$16.0 million for the three months ended September 30, 2025, as compared to \$12.7 million for the three months ended September 30, 2024. This increase was primarily due to higher OEM battery and accessory sales of new models to existing customers. We expect our sales to increase in the coming quarters as our customers expand the number of models that include our battery systems in the new model year and our entrance into new markets, trucking and industrials, with new product offerings.

Cost of Goods Sold

Cost of goods sold increased by \$1.4 million, or 14.0%, to \$11.2 million for the three months ended September 30, 2025, as compared to \$9.9 million for the three months ended September 30, 2024. This increase was primarily due to product and labor costs due to higher unit volume of OEM accessories. Overhead also increased due to allocation of expense related for the new lease. We expect our Cost of Goods Sold to increase in conjunction with the anticipated increase in revenue over the next 12 months.

Gross Profit

Gross profit increased by \$1.9 million, or 65.0%, to \$4.7 million for the three months ended September 30, 2025, as compared to \$2.9 million for the three months ended September 30, 2024. The increase in gross profit was primarily due to a higher unit volume of OEM accessory sales. Gross Profit percentage increased by 7.1% to 29.7% for the three months ended September 30, 2025, as compared to 22.6% for the three months ended September 30, 2024. This is primarily due to sales of higher margin accessory units and assemblies.

Research and Development Expenses

Research and development expenses decreased by \$1.0 million, or 64.1%, to \$0.6 million for the three months ended September 30, 2025, as compared to \$1.6 million for the three months ended September 30, 2024. The decrease was primarily a result of lower wage expense in the amount of \$0.7 million due to change in bonus accrual and reduced headcount. Overhead expense allocation is lower by \$0.2 million and reduced spend of \$0.1 million on patents and materials and supplies. We expect Research and Development expenses to be lower than last year as we change our focus from Solid State to Product Development.

General and Administrative Expenses

General and administrative expenses increased by \$0.9 million, or 21.5%, to \$5.3 million for the three months ended September 30, 2025, as compared to \$4.4 million for the three months ended September 30, 2024. This increase was primarily due to an increase wage expense of \$0.3 million due to increased headcount associated with the focus on product development, an increase in lease and depreciation expense and the impairment of one lease and related leasehold improvements in the amount of \$0.6 million. We expect General and Administrative Expenses, as a percentage of revenue, to be relatively stable over the next 12 months.

Selling and Marketing Expenses

Sales and marketing expenses decreased by \$0.3 million, or 9.4%, to \$2.6 million for the three months ended September 30, 2025, as compared to \$2.9 million for the three months ended September 30, 2024. This decrease was primarily due to lower employee-related costs. We expect our Selling and Marketing Expenses to be relatively stable over the next 12 months.

Total Other Expense

Other expense totaled \$7.3 million for the three months ended September 30, 2025 as compared to total other expense of \$0.8 million for the three months ended September 30, 2024. Other expense of \$7.3 million in three months ended September 30, 2025 was comprised primarily of interest expense of \$6.4 million related to our debt securities and a negative change in fair market value of warrant liability in the amount of \$0.9 million. The \$0.8 million of other expense in three months ended September 30, 2024 was comprised primarily of interest expense of \$5.6 million related to our debt securities offset by a positive change in fair market value of warrant liability in the amount of \$4.9 million.

Income Tax (Benefit) Expense

There was no tax expense recorded for the three months ended September 30, 2025 or the three months ended September 30, 2024. Based on available evidence as of September 30, 2025 and September 30, 2024, management believes it is more likely than not that some or all the deferred tax assets will not be realized. Accordingly, we established a 100% valuation allowance. As a result of the full valuation allowance, we did not record a tax benefit during the three months ended September 30, 2025 or the three months ended September 30, 2024.

Net Loss

We experienced a net loss of \$11.1 million for the three months ended September 30, 2025, as compared to net loss of \$6.8 million for the three months ended September 30, 2024. As described above, this result was driven by higher sales of higher margin accessory units, lower operating expenses, and an increase in other expense (due to higher interest expense and the change in fair market value of our warrants).

Comparisons for the Nine months ended September 30, 2025 and September 30, 2024

The following table sets forth our results of operations for the nine months ended September 30, 2025, and the nine months ended September 30, 2024. This data should be read together with our financial statements and related notes included elsewhere in this Quarterly Report, and is qualified in its entirety by reference to such financial statements and related notes.

	Nine months ended September 30,			
	2025	% Net Sales	2024	% Net Sales
	(in thousands)			
Net Sales	\$ 45,571	100.0	\$ 38,433	100.0
Cost of Goods Sold	32,302	70.9	29,345	76.4
Gross profit	13,269	29.1	9,088	23.6
Operating expenses				
Research and development	2,277	5.0	4,495	11.7
General and administrative	16,275	35.7	14,878	38.7
Sales and marketing	7,690	16.9	8,329	21.7
Total Operating expenses	26,242	57.6	27,702	72.1
(Loss) From Operations	(12,973)	(28.5)	(18,614)	(48.4)
Other Income (Expense)				
Interest expense, net	(16,552)	(36.3)	(15,253)	(39.7)
Other expense	-	-	(36)	(0.1)
Change in fair market value of warrant liability	4,624	10.1	3,130	8.1
Total Other (Expense) Income	(11,928)	(26.2)	(12,159)	(31.6)
Loss Before Taxes	(24,901)	(54.6)	(30,773)	(80.1)
Income Tax Benefit	-	-	-	-
Net Loss	\$ (24,901)	(54.6)	\$ (30,773)	(80.1)

	Nine months ended September 30,	
	2025	2024
	(in thousands)	
DTC	16,001	16,890
% Net Sales	35.1	44.0
OEM	28,820	21,376
% Net Sales	63.3	55.6
Licensing fee	750	167
% Net Sales	1.6	0.4
Net Sales	\$ 45,571	38,433

Net Sales

Net sales increased by \$7.1 million, or 18.6%, to \$45.6 million for the nine months ended September 30, 2025, as compared to \$38.4 million for the nine months ended September 30, 2024. This increase was primarily due to higher OEM battery and accessory sales of new models to existing customers and licensing revenue which is part of the Stryten agreement entered into the second half of 2024. We expect our sales to increase in the next 12 months as our customers expand the number of models they include our battery systems in for the new model year and our entrance into new markets, trucking and industrials, with new product offerings.

Cost of Goods Sold

Cost of goods sold increased by \$3.0 million, or 10.1%, to \$32.3 million for the nine months ended September 30, 2025, as compared to \$29.3 million for the nine months ended September 30, 2024. This increase was primarily due to product and labor costs related to higher unit volume of accessory units. Overhead increased due to allocation of expense related to the new lease. We expect our Cost of goods sold to increase in conjunction with the anticipated increase in revenue and higher tariffs over the next 12 months.

Gross Profit

Gross profit increased by \$4.2 million, or 46.0%, to \$13.3 million for the nine months ended September 30, 2025, as compared to \$9.1 million for the nine months ended September 30, 2024. The increase in gross profit was primarily due to a higher unit volume of accessory sales. Gross Profit percentage increased by 5.5% to 29.1% for the nine months ended September 30, 2025, as compared to 23.6% for the nine months ended September 30, 2024. This is primarily due to sales of higher margin accessory units and assemblies.

Research and Development Expenses

Research and development expenses decreased by \$2.2 million, or 49.3%, to \$2.3 million for the nine months ended September 30, 2025, as compared to \$4.5 million for the nine months ended September 30, 2024. The decrease was primarily a result of lower employee related expense in the amount of \$1.6 million due to change in bonus accrual and reduced headcount along with lower rent, travel and supplies. We expect Research and Development expenses to be lower than last year as we change our focus from Solid State to Product Development.

General and Administrative Expenses

General and administrative expenses increased by \$1.4 million, or 9.4%, to \$16.3 million for the nine months ended September 30, 2025, as compared to \$14.9 million for the nine months ended September 30, 2024. This increase was primarily due the allocation of lease and depreciation expense of \$1.7 million on our properties and impairment of one lease and related leasehold improvements of \$0.6 million partially offset by a decrease in legal and professional services of \$0.8 million. We expect General and Administrative Expenses, as a percentage of revenue, to be relatively stable over the next 12 months.

Selling and Marketing Expenses

Sales and marketing expenses decreased by \$0.6 million, or 7.7%, to \$7.7 million for the nine months ended September 30, 2025, as compared to \$8.3 million for the nine months ended September 30, 2024. This decrease was primarily due to lower employee related costs in the amount of \$0.9 million primarily related to a change in bonus accrual and lower headcount. Partially offsetting this decrease is higher shipping costs in the amount of \$0.3 million related to an increase in units sold. We expected Selling and Marketing Expenses, as a percentage of revenue, to be relatively stable over the next 12 months.

Total Other Expense

Other expense totaled \$11.9 million for the nine months ended September 30, 2025 as compared to total other expense of \$12.2 million for the nine months ended September 30, 2024. Other expense for the nine months ended September 30, 2025 is comprised of \$16.5 million in interest expense related to our debt securities partially offset by a positive change in fair market value of our warrants in the amount of \$4.6 million. Other expense for the nine months ended September 30, 2024 is comprised of \$15.3 million in interest expense related to our debt securities partially offset by a positive change in fair market value of our warrants in the amount of \$3.1 million.

Income Tax (Benefit) Expense

There was no tax expense recorded for the nine months ended September 30, 2025 or the nine months ended September 30, 2024. Based on available evidence as of September 30, 2025 and September 30, 2024, management believes it is more likely than not that some or all the deferred tax assets will not be realized. Accordingly, we established a 100% valuation allowance. As a result of the full valuation allowance, we did not record a tax benefit during the nine months ended September 30, 2025 or the nine months ended September 30, 2024.

Net Loss

We generated a net loss of \$24.9 million for the nine months ended September 30, 2025, as compared to net loss of \$30.8 million for the nine months ended September 30, 2024. As described above, this result was driven by higher sales of higher margin accessory sales and lower operating expenses.

Critical Accounting Estimates

Our condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these condensed consolidated financial statements requires us to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions. On a recurring basis, we evaluate our judgments and estimates in light of changes in circumstances, facts, and experience. The effects of material revisions in an estimate, if any, will be reflected in the consolidated financial statements prospectively from the date of the change in the estimate.

We consider an accounting estimate to be critical if: (1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our board of directors. In addition, there are other items within our financial statements that require estimation but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements.

We believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

Inventory Valuation

We periodically review physical inventory for excess, obsolete, and potentially impaired items and reserves. Any such inventory is written down to net realizable value. The reserve estimate for excess and obsolete inventory is dependent on expected future use and requires management judgement. The level of the estimate is assessed by considering the recent sales experience, the aging of inventories, and other factors that affect inventory obsolescence

Warrants

We apply relevant accounting guidance for warrants to purchase our stock based on the nature of the relationship with the counterparty. For warrants issued to investors or lenders in exchange for cash or other financial assets, we follow guidance issued within ASC 480, Distinguishing Liabilities from Equity (“ASC 480”), and ASC 815, Derivatives and Hedging (“ASC 815”), to assist in the determination of whether the warrants should be classified as liabilities or equity. Warrants that are determined to require liability classifications are measured at fair value upon issuance and are subsequently remeasured to their then fair value at each subsequent reporting period with changes in fair value recorded in current earnings. Warrants that are determined to require equity classifications are measured at fair value upon issuance and are not subsequently remeasured unless they are required to be reclassified. See “*Note 8—Warrants*” in our accompanying condensed consolidated financial statements for information on the warrants. Changes in assumptions used to estimate fair value could occur from stock pricing volatility depending on our performance and our position in the industry and changes in market interest rates which can result in materially different results.

Equity-Based Compensation

We use the Black-Scholes option-pricing model to determine the fair value of option grants. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of our future share price, risk-free rates, future dividend yields and estimated forfeitures at the initial grant date. Restricted stock unit awards are valued based on the closing trading price of our common stock on the date of grant. Changes in assumptions used to estimate fair value could occur from stock pricing volatility depending on our performance and our position in the industry and changes in market interest rates which can result in materially different results.

Income Taxes

We account for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using enacted rates. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date.

We recognize the financial statement effect of an uncertain income tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Recognized income tax positions are measured at the largest amount that is greater than 50% likely to be realized. A valuation allowance is recorded to reduce deferred income tax assets to an amount, which in the opinion of management is more likely than not to be realized.

Management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our deferred tax assets. We consider factors such as the cumulative income or loss in recent years; reversal of deferred tax liabilities; projected future taxable income exclusive of temporary differences; the character of the income tax asset, including income tax positions; tax planning strategies and the period over which we expect the deferred tax assets to be recovered in the determination of the valuation allowance. In the event that actual results differ from these estimates or we adjust our estimates in the future, we may need to adjust our valuation allowance, which could materially impact our financial position and results of operations.

The amount of the deferred tax asset considered realizable could be adjusted if our actual results in the future do not generate taxable income that is sufficient to allow us to utilize our deferred tax assets. Our future taxable income projections are subject to a high degree of uncertainty and could be impacted, both positively and negatively, by changes in our business or the markets in which we operate. A change in the assessment of the realizability of our deferred tax assets could materially impact our results of operations.

Leases

Acquired right-of-use assets and assumed lease liabilities are measured based on the remaining lease payments over the remaining portion of the lease term. As our leases do not provide an implicit rate, our incremental borrowing rate is used as a discount rate in determining the present value of lease payments. Our incremental borrowing rate was determined by comparing current low- and high-end mortgage loan rates and calculating an average. To be conservative in our estimate, we chose to use the high-end average as our incremental borrowing rate for all lease arrangements.

License Arrangement

We have entered into license arrangements that involve receiving upfront compensation, which is recognized as revenue over a five-year period. Management estimates the appropriate recognition pattern based on the expected delivery of related services and the period over which the economic benefits will be realized. This estimate involves judgments about the timing of performance obligations and the likelihood of continued customer engagement. Changes in these assumptions or unexpected developments could result in adjustments to revenue recognition, impacting the financial statements. As of the reporting date, management believes the estimate reflects the current understanding of the license arrangements' performance obligations.

Tariffs

We import certain components used in the manufacturing of our products and are responsible for calculating and paying the applicable tariffs. Tariff obligations involve significant judgment, including interpretation of customs classifications, trade agreements, and dutiable values.

Non-GAAP Financial Measures

This Quarterly Report includes a non-generally accepted account principles within the United States ("U.S. GAAP") measure that we use to supplement our results presented in accordance with U.S. GAAP. Earnings before interest tax and amortization ("EBITDA") is defined as earnings before interest and other income (expenses), income taxes, and depreciation and amortization. Adjusted EBITDA is calculated as EBITDA adjusted for stock-based compensation, change in fair market value of warrant liabilities, non-recurring costs associated with strategic financing, reverse stock split, litigation and loss on settlement. Adjusted EBITDA is a performance measure that we believe is useful to investors and analysts because it illustrates the underlying financial and business trends relating to our core, recurring results of operations and enhances comparability between periods.

Adjusted EBITDA is not a recognized measure under U.S. GAAP and is not intended to be a substitute for any U.S. GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry. Investors should exercise caution in comparing our non-GAAP measure to any similarly titled measure used by other companies. This non-GAAP measure excludes certain items required by U.S. GAAP and should not be considered as an alternative to information reported in accordance with U.S. GAAP.

The table below presents our adjusted EBITDA, reconciled to net (loss) income for the three and nine months ended September 30, 2025, and September 30, 2024.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2025	2024	2025	2024
	(in thousands)		(in thousands)	
Net loss	\$ (11,070)	\$ (6,779)	\$ (24,901)	\$ (30,773)
Interest Expense	6,409	5,615	16,552	15,253
Depreciation and Amortization	460	327	1,811	991
EBITDA	(4,201)	(837)	(6,538)	(14,529)
<i>Adjusted for:</i>				
Stock-Based Compensation ⁽¹⁾	168	256	579	759
Change in fair market value of warrant liability ⁽²⁾	883	(4,875)	(4,624)	(3,130)
Non-Recurring/One-Time Expenses:				
Litigation Fees and loss on settlement ⁽³⁾	-	-	573	-
Prior year tariff estimate adjustment ⁽⁴⁾	-	-	287	-
Preferred Stock Financing Expenses ⁽⁵⁾	13	-	686	-
Impairment of right-of-use asset and disposal of associated assets ⁽⁶⁾	611	-	611	-
Debt Restructure ⁽⁷⁾	354	-	354	-
Severance	35	-	35	-
Reverse Stock Split ⁽⁸⁾	-	-	15	-
Adjusted EBITDA	\$ (2,137)	\$ (5,456)	\$ (8,022)	\$ (16,900)

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

(2) Change in fair market value of warrant liabilities represents the change in fair value from January 1, 2025 through September 30, 2025 and January 1, 2024 through September 30, 2024, respectively.

- (3) Litigation Fees and Loss on Settlement includes legal fees and expenses and settlement related to the International Trade Commission 'ITC' LithiumHub patent infringement case and other.
- (4) Revision to estimate of prior year tariff underpayment.
- (5) Preferred Stock Financing is comprised of the expense relating to the Offerings.
- (6) Impairment of Lease and leasehold improvements from our previous main office.
- (7) Debt Restructure expenses including legal and professional services.
- (8) Reverse Stock Split includes transfer agent and legal expenses and fees related to the reverse stock split with the SEC.

Liquidity and Capital Resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, contractual obligations and other commitments. We assess liquidity in terms of our cash flows from operations and their sufficiency to fund our operating and investing activities. As of September 30, 2025, we had cash totaling \$3.8 million.

Subsequent to September 30, 2025, we completed the First October 2025 Offering and the Second October 2025 Offering for net proceeds of approximately \$26.9 million and \$51.9 million, respectively. Please see “-October 2025 Offerings” above for additional information.

On October 20, 2025, we entered into the Sixth Amendment to the Term Loan Agreement with the Term Loan Lenders to, among other matters, (i) adjust the fixed interest rate of the remaining outstanding principal amount under the Term Loan Agreement to a fixed interest rate of 12% per annum, payable monthly commencing December 31, 2025 that will mature in October 2027, and (ii) waive any applicable financial covenants (except for a financial covenant requiring us to maintain cash and cash equivalents equal to or greater than \$5.0 million) through December 31, 2026. In connection with the Sixth Amendment, (i) we made a prepayment of \$45.0 million of outstanding indebtedness under the Term Loan Agreement from the net proceeds from the Second October 2025 Offering (the “Loan Prepayment”), (ii) the Term Loan Lenders forgave the repayment of \$5.0 million of the outstanding principal under the Term Loan Agreement, (iii) we paid a fee to the Term Loan Lenders equal to approximately \$450,000 in cash and \$450,000 added to principal outstanding amount of the loan under the Term Loan Agreement; and (iv) we issued 25,000 shares of Series B Preferred Stock in exchange for \$25.0 million outstanding principal amount of the Term Loan. The remaining outstanding principal amount under the Term Loan Agreement of approximately \$19.0 million, after the repayment and forgiveness disclosed above, will have a fixed interest rate of 12% per annum, payable monthly commencing December 31, 2025 and will mature in October 2027. In addition, certain covenants under the Term Loan Agreement have been waived through December 31, 2026, and we have agreed to a minimum liquidity covenant of \$5.0 million calculated on a monthly basis.

On November 4, 2025, we filed a Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Restrictions of Series B Convertible Preferred Stock (the “Series B Certificate of Designation”) with the Secretary of State of the State of Nevada to establish the rights, privileges, preferences, and restrictions of the Series B Preferred Stock. As set forth in the Certificate of Designation, we designated 25,000 shares of preferred stock as Series B Preferred Stock with a stated value of \$1,000 per share. The Series B Preferred Stock is convertible into shares of common stock at the option of the Term Lenders at a conversion price of \$3.15 per share, or an aggregate of 7,936,508 shares of common stock.

On November 4, 2025, we entered into the Exchange Agreement with the Term Loan Lenders pursuant to we issued 25,000 shares of newly created Series B Preferred Stock in exchange for \$25.0 million outstanding principal amount of the Term Loan. The Series B Preferred Stock (i) is convertible into shares of common stock at the option of the Term Loan Lenders at a conversion price of \$3.15 per share, or an aggregate of 7,936,508 shares of common stock, (ii) has a dividend of 8% per annum payable quarterly in cash and (iii) has a dividend of 2% per annum payable quarterly in kind (“PIK Dividends”), which includes the aggregate amount of all paid PIK Dividends and any accrued and unpaid PIK Dividends on the applicable dividend date. In addition, we have a right to redeem any outstanding shares of the Series B Preferred Stock at our option at the greater of (i) the stated value plus any outstanding dividends and (ii) the as-converted value of the shares of common stock underlying the Series B Preferred Stock (the “Optional Redemption Price”). The Term Loan Lenders have also agreed not to convert any shares of the Series B Preferred Stock for a period of six months following the issuance of the Series B Preferred Stock. In connection with any future equity offerings, we will be required to use 50% of the net proceeds from such offering to redeem outstanding shares of the Series B Preferred Stock at the Optional Redemption Price. In the event we have not redeemed the outstanding shares of Series B Preferred Stock by October 7, 2027 or upon the occurrence of a Non-Payment Event (as defined in the Series B Certificate of Designation), the holders will have the right to require us to redeem the Series B Preferred Stock at the Optional Redemption Price.

We expect that we will need to raise additional funds, including through the issuance of equity, equity-related or debt securities or by obtaining additional credit from financial institutions to fund, together with our principal sources of liquidity, ongoing costs, such as research and development relating to our solid-state batteries, expansion of our facilities, and new strategic investments. If such financings are not available, or if the terms of such financings are less desirable than we expect, we may be forced to take actions to reduce our capital or operating expenditures, including by not seeking potential acquisition opportunities, eliminating redundancies, or reducing or delaying our production facility expansions, reduce operations, sell off our assets, seek the protection of bankruptcy courts or shut down our operations and dissolve. Further, any future debt or equity financings may be dilutive to our current stockholders.

Financing Obligations and Requirements

On November 24, 2021, we issued \$45.0 million of fixed rate senior notes, secured by among other things, a security interest in our intellectual property. As part of the Business Combination, we entered into a senior secured term loan facility in an aggregate principal amount of \$75 million (the “Term Loan”) pursuant to the Term Loan, Guarantee and Security Agreement (the “Original Term Loan Agreement” and, as amended, the “Term Loan Agreement”) by and among, us, Legacy Dragonfly, Alter Domus (US) LLC, as the Agent to the lenders time-to-time party thereto (such lenders, the “Term Loan Lenders”), the proceeds of which were used to repay the \$45 million fixed rate senior notes, and ChEF Equity Facility.

As described in “-*Liquidity and Capital Resources*” above, under the Sixth Amendment, we (i) prepaid \$45.0 million of principal using proceeds from the Second October 2025 Offering, (ii) exchanged \$25.0 million of principal for Series B Preferred Stock (convertible at \$3.15 per share, with 8% cash and 2% “in kind” dividends), and (iii) had \$5.0 million of principal forgiven by the Term Loan Lenders. Following these transactions, approximately \$19.0 million of principal remained outstanding under the Term Loan, bearing 12% interest payable monthly and maturing in October 2027. We paid \$0.9 million in fees (half in cash, half added to principal) and obtained covenant waivers through December 2026, subject to maintaining \$5.0 million of minimum liquidity.

The Sixth Amendment significantly improved our liquidity by reducing total debt from \$72.0 million to approximately \$19.0 million and deferring near-term cash interest requirements through the preferred stock exchange and covenant waivers.

The Term Loan proceeds were used to: (i) support the Business Combination, (ii) prepay the fixed rate senior notes at closing of the Business Combination, (iii) pay fees and expenses in connection with the foregoing, (iv) to provide additional growth capital and (v) for other general/corporate purposes. The Term Loan will mature on October 7, 2027, or the Maturity Date, and will be subject to quarterly amortization of 5% per annum beginning 24 months after issuance. The definitive documents for the Term Loan incorporate certain mandatory prepayment events and certain affirmative and negative covenants and exceptions hereto. The financial covenants for the Term Loan include a maximum senior leverage ratio covenant, a minimum liquidity covenant, a springing fixed charge coverage ratio covenant, and a maximum capital expenditures covenant. In accordance with U.S. GAAP, we reclassified our notes payable from a long-term liability to a current liability. The Term Loan accrues interest as follows: (i) until April 1, 2024, at a per annum rate equal to adjusted secured overnight financing rate (“SOFR”) plus 7% payable in cash plus an amount ranging from 4.5% to 6.5%, depending on our senior leverage ratio; (ii) effective April 1, 2024 and thereafter, interest payable to certain lenders subject to regulations of the U.S. Small Business Administration (“SBA”) with outstanding principal on that date of \$30,846 will be limited to 14.0% per annum (except for default interest permitted under SBA regulations, as applicable); and (iii) the other outstanding principal will accrue interest from April 1, 2024 thereafter until October 1, 2024, at a per annum rate equal to adjusted SOFR plus 7% payable in cash plus an amount ranging from 4.5% to 6.5%, depending on the senior leverage ratio of the consolidated company, and at all times thereafter, at a per annum rate equal to adjusted SOFR plus a margin ranging from 11.5% to 13.5%, depending on our senior leverage ratio.

The Term Loan is secured by substantially all assets of the Company, Battle Born LLC and Legacy Dragonfly, and we pledged our equity interests in Battle Born LLC and Legacy Dragonfly as additional collateral. In connection with the Business Combination, the Term Loan Lenders also received Penny Warrants and \$10 Warrants.

During the year ended December 31, 2024, we issued 350,423 shares pursuant to the ChEF Purchase Agreement with CCM LLC for aggregate proceeds to us of \$2,043,885. During the nine months ended September 30, 2025, we issued 23,160 shares pursuant to the ChEF Purchase Agreement for aggregate proceeds to us of \$62,846. Subsequent to the quarter ended September 30, 2025, we have not issued any shares pursuant to the ChEF Purchase Agreement. The ChEF Purchase Agreement terminates in December 2025. In connection with the July 2025 Offering, we agreed not to sell shares of our common stock for a period of 90 days following the closing of the offering, subject to certain exceptions

In 2024, we identified an underpayment of tariffs to U.S. Customs and Border Protection (“CBP”) in the amount of approximately \$1.66 million in the aggregate, related to the improper classification and valuation of certain of the products used in our batteries. We have reported the underpayment to CBP. In June 2025, after a comprehensive review of this tariff calculation, an additional \$0.29 million was discovered and also reported to CBP and a payment plan of \$0.05 million per week was put into place.

Going Concern

For the quarter ended September 30, 2025, we generated a net loss of \$11.1 million and had a negative cash flow from operations. As of September 30, 2025, we had approximately \$3.8 million in cash and cash equivalents and working capital of \$8.8 million.

In addition, as described above in “*Liquidity and Capital Resources*”, we completed 2 offerings raising \$78.8 million and on October 20, 2025, we entered into the Sixth Amendment to restructure our outstanding indebtedness.

These strategic initiatives, along with continued revenue generation anticipated in the next twelve months and our ability to maintain covenant compliance, we have concluded that the substantial doubt regarding our ability to continue as a going concern has been mitigated.

We performed the following pro-forma financials as of September 30, 2025 to take into consideration the transactions above had they occurred as of the current quarter end:

	September 30, 2025			
	Actual	Capital Raise	Debt Restructuring Adjustment	Pro-forma
	(in thousands)			
Current Assets	34,509	74,854	(45,466)	63,897
Long Term Assets	39,334	-	-	39,334
Total Assets	\$ 73,843	\$ 74,854	\$ (45,466)	\$ 103,231
Current Liabilities	25,675	-	42	25,717
Long-Term Liabilities	69,745	(4,000)	(32,733)	33,012
Total Liabilities	\$ 95,420	\$ (4,000)	\$ (32,691)	\$ 58,729
Redeemable Preferred stock				
Preferred stock – Series B 25,000 shares at \$0.0001 par value authorized,	-	-	25,000	25,000
Common stock	6	-	-	6
Additional paid in capital	85,472	78,854	-	164,326
Accumulated deficit	(107,055)	-	(37,774)	(144,829)
Total Stockholders’ (Deficit) Equity	(21,577)	78,854	(12,774)	44,502
Total Liabilities, Redeemable Preferred Stock and Stockholders’ (Deficit) Equity	\$ 73,843	\$ 74,854	\$ (45,466)	\$ 103,231

Cash Flows for the Nine months ended September 30, 2025, and September 30, 2024

	Nine months ended September 30,	
	2025	2024
	(in thousands)	
Net Cash (used in)/provided by:		
Operating Activities	\$ (11,245)	\$ (4,685)
Investing activities	\$ (1,808)	\$ (1,691)
Financing activities	\$ 12,042	\$ 1,682

Operating Activities

Net cash used in operating activities was \$11.2 million for the nine months ended September 30, 2025, primarily due to a net loss of \$24.9 million partially offset by \$11.2 million of payment in-kind interest accrued on the Term Loan.

Net cash used in operating activities was \$4.7 million for nine months ended September 30, 2024, primarily due to a net loss of \$30.8 million partially offset by \$4.8 million in deferred revenue related to the License Agreement, \$6.6 million of payment in-kind interest accrued on the Term Loan and \$14.8 million decrease in inventory as a result of management's decision to lower overall stocking levels to adjust for more modest demand.

Investing Activities

Net cash used in investing activities was \$1.8 million for the nine months ended September 30, 2025, as compared to net cash used in investing activities of \$1.7 million for the nine months ended September 30, 2024. The cash used in investing activities was primarily due to capital expenses to support our core battery business.

Financing Activities

Net cash provided by financing activities was \$12.0 million for the nine months ended September 30, 2025, primarily related to net proceeds of \$7.3 million as part of the Purchase Agreement entered into in February 2025 and \$4.7 million as part of the public offering in July 2025. This is compared to \$1.7 million net cash provided in financing activities primarily from proceeds of issuing and selling shares under ChEF Equity Facility for the nine months ended June 30, 2024.

Contractual Obligations

Our estimated future obligations consist of short-term and long-term operating lease liabilities. As of September 30, 2025, we had \$2.9 million in short-term operating lease and financing liabilities and \$21.1 million in long-term operating and financing lease liabilities.

As disclosed above, we have a Term Loan and as of September 30, 2025, the principal amount outstanding under the Term Loan was \$69.9 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, and the rules and regulations thereunder, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) under the Exchange Act, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and implementation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2025. Based on that evaluation, management concluded that as of September 30, 2025, we did maintain effective disclosure controls and procedures.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting (as defined by Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2025, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in litigation or other legal proceedings. We are not currently a party to any litigation or legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on March 31, 2025, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K may not be the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results.

There were no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K except as noted below.

If we do not continue to meet the continued listing requirements for The Nasdaq Capital Market, our common stock may be delisted, which could affect the market price and liquidity for our common stock and reduce our ability to raise additional capital.

Our common stock and [public warrants] are currently listed for trading on The Nasdaq Capital Market. We must satisfy the continued listing requirements of Nasdaq to maintain the listing of our securities on The Nasdaq Capital Market.

On December 12, 2024, we received a written notice (the "Notice") from the Listing Qualifications Staff (the "Staff") of the Nasdaq Stock Market, LLC ("Nasdaq") indicating that we are not in compliance with Nasdaq Listing Rule 5550(b)(2), which requires us to maintain a minimum Market Value of Listed Securities ("MVLS") of \$35 million for continued listing on The Nasdaq Capital Market (the "MVLS Requirement") for the 30 consecutive business days preceding receipt of the Notice.

On May 14, 2025, we received a letter (the "Letter") from the Staff indicating that, based upon our non-compliance with the \$1.00 minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market (the "Bid Price Requirement"), the Staff had determined to delist our securities from Nasdaq unless we timely request a hearing before the Nasdaq Hearings Panel (the "Panel"). Pursuant to Listing Rule 5810(c)(3)(A)(iv), we are not eligible for any compliance period due to the fact that we have effected a reverse stock split over the prior one-year period. We timely requested a hearing before the Panel.

On June 11, 2025, we received an additional staff determination letter indicating that, based upon our non-compliance with the MVLS Requirement, the Staff had determined such non-compliance served as an additional basis for delisting our securities from Nasdaq.

On July 2, 2025, following our hearing with the Panel on June 24, 2025, we received notice from Nasdaq that, based on the plan of compliance that we had submitted, the Panel had granted us an exception until November 10, 2025 (the "Exception") to regain compliance with the Bid Price Requirement and the MVLS Requirement, subject to our achievement of certain milestones.

On October 20, 2025, we received a letter from the Nasdaq Hearings Panel of the Nasdaq Stock Market, LLC stating that because our common stock, par value \$0.0001, had a closing bid price at or above \$1.00 per share for a minimum of 10 consecutive business days, we had regained compliance with the minimum bid price requirement of \$1.00 per share for continued listing on the Nasdaq Capital Market (the "Minimum Bid Price Requirement"), as set forth in Nasdaq Listing Rule 5550(a)(2). Additionally, the Letter stated that because the our market value of listed securities had been \$35 million or greater for a minimum of 10 consecutive business days, we had also regained compliance with the minimum market value of listed securities requirement for continued listing on the Nasdaq Capital Market (the "MVLS Requirement"), as set forth in Nasdaq Listing Rule 5550(b)(2). Accordingly, as of such date, we were in full compliance with Nasdaq's continued listing requirements, and these matters are now closed. Pursuant to Nasdaq Listing Rule 5815(d)(4)(B), we will be subject to a Mandatory Panel Monitor through October 20, 2026. If, within that one-year monitoring period, we fail to maintain compliance with the Minimum Bid Price Requirement, the staff of the Nasdaq Listing Qualifications Department (the "Staff") will issue a Delist Determination Letter, and we will have an opportunity to request a new hearing with the initial Panel or a newly convened Panel if the initial Panel is unavailable. Notwithstanding Nasdaq Listing Rule 5810(c)(2), we will not be permitted to provide the Staff with a plan of compliance with respect to any deficiency that arises during the one-year monitoring period, and the Staff will not be permitted to grant additional time for us to regain compliance with respect to any deficiency. Currently, our common stock is trading at less than \$1.00, and in the event we are unable to continue to meet the Minimum Bid Price Requirement, we will need to complete a reverse stock split of our common stock. In October 2025, our stockholders approved a proposal to authorize our board of directors, in its discretion at any time within one year after such stockholder approval, to effect a reverse stock split of only the then-outstanding shares of our common stock (with no change to our authorized capital stock), at a ratio of not less than one-for-two (1:2) and not greater than one-for-fifty (1:50), with the exact ratio to be determined by our board of directors and included in a public announcement.

We must satisfy Nasdaq's continued listing requirements, including, among other things, the Minimum Bid Price Requirement and the MVLS Requirement, or risk delisting, which could have a material adverse effect on our business. A delisting could substantially decrease trading in our common stock, adversely affect the market liquidity of our common stock as a result of the loss of market efficiencies associated with Nasdaq and the loss of federal pre-emption of state securities laws, result in a default under the terms of our outstanding indebtedness, adversely affect its ability to obtain financing on acceptable terms, if at all, and may result in the potential loss of confidence by investors, suppliers, customers and employees and fewer business development opportunities. Additionally, the market price of our common stock may decline further and stockholders may lose some or all of their investment. There can be no assurance that we will be able to maintain compliance with the Minimum Bid Price Requirement or comply with the other continued listing standards of the Nasdaq Capital Market.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2025, none of our directors or “officers” (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(c) of Regulation S-K.

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit No.	Description	Incorporation by Reference		
		Form	Exhibit	Filing Date
1.1	Underwriting Agreement, dated October 6, 2025, by and between Dragonfly Energy Holdings Corp. and Canaccord Genuity LLC.	8-K	1.1	10/06/2025
1.2	Underwriting Agreement, dated October 16, 2025, by and between Dragonfly Energy Holdings Corp. and Canaccord Genuity LLC.	8-K/A	1.1	10/16/2025
3.1	Articles of Incorporation of Dragonfly Energy Holdings Corp.	8-K	3.1	03/31/2023
3.2	Bylaws of Dragonfly Energy Holdings Corp.	8-K	3.2	03/31/2023
3.3	Certificate of Amendment to the Articles of Incorporation of Dragonfly Energy Holdings Corp., dated April 25, 2025.	8-K	3.1	04/28/2025
3.4	Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Restrictions of Series B Convertible Preferred Stock.	8-K	3.1	11/04/2025
4.1	Form of October 2025 Pre-Funded Warrant.	8-K	4.1	10/16/2025
10.1	Form of Settlement and Mutual Release Agreement, dated July 20, 2025, by and between the Company and the investor party thereto.	8-K	10.1	07/21/2025
10.3	Amendment to the Dragonfly Energy Holdings Corp.'s 2022 Equity Incentive Plan.	8-K	10.1	10/15/2025
10.4	Sixth Amendment to Term Loan, Guarantee and Security Agreement, dated as of October 20, 2025, by and among the Company, Dragonfly Energy Corp., Battle Born Battery Products, LLC, the lenders from time to time party thereto and Alter Domus (US) LLC.	8-K	10.1	10/20/2025
10.5	Exchange Agreement, dated November 4, 2025, by and among Dragonfly Energy Holdings Corp. and the lenders party thereto.	8-K	10.1	11/04/2025
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
101.INS*	Inline XBRL Instance Document.			
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.			
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.			
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.			
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document.			
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.			
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document and included as Exhibit 101).			
*	Filed herewith.			
**	Furnished.			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dragonfly Energy Holdings Corp.

Date: November 14, 2025

By: /s/ Denis Phares

Denis Phares

Chief Executive Officer, President and Interim Chief Financial Officer
(Principal Executive Officer and Principal Financial and Accounting
Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Denis Phares, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2025 of Dragonfly Energy Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2025

/s/ Denis Phares

Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Denis Phares, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2025 of Dragonfly Energy Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2025

/s/ Denis Phares

Interim Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This Certification is being filed pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002. This Certification is included solely for the purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act and is not intended to be used for any other purpose. In connection with the accompanying Quarterly Report on Form 10-Q of Dragonfly Energy Holdings Corp. (the “**Company**”) for the quarter ended September 30, 2025 (the “**Quarterly Report**”), Denis Phares, as Chief Executive Officer and Interim Chief Financial Officer, certifies in his capacity as such officer of the Company, that to his knowledge:

- 1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2025

By: /s/ Denis Phares

Denis Phares

Chief Executive Officer and Interim Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

This certification shall not be deemed “filed” for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act.
