UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2022

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

Commission File Number: 001-31543

FLUX POWER HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada	**86-0931332**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2685 S. Melrose Drive, Vista, California	**92081**
(Address of principal executive offices)	(Zip Code)

877-505-3589
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	FLUX	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 issuer 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 (§ 232.405 of this chapter) during the preceding 12 months (or for 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	☐	Accelerated filer	☐
Non-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 ☒

The number of shares of registrant's common stock outstanding as of February 6, 2023 was 16,029,478.

FLUX POWER HOLDINGS, INC.

FORM 10-Q
For the Quarterly Period Ended December 31, 2022
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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains forward-looking statements. The forward-looking statements are contained principally in the section captioned "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 filed with the SEC on September 28, 2022. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "would," and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. You should read these factors and the other cautionary statements made in this report and in the documents we incorporate by reference into this report as being applicable to all related forward-looking statements wherever they appear in this report or the documents we incorporate by reference into this report. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements include, among other things, statements relating to:

- to date we have not generated sufficient cash to fund our operations. At December 31, 2022, we had a cash balance of $157,000 and an accumulated deficit of $85.6 million. Our operating plan and forecast include a number of estimates and assumptions including our ability to execute our proposed plans, to generate revenue from our current backlog, to increase both revenue and gross profit, to implement cost reductions and to maintain access to financing under existing debt agreements. If we are not successful in executing our plans as expected, our ability to continue as a going concern will be adversely affected;

- our ability to secure sufficient funding to support our current and proposed operations, which could be more difficult considering the negative impact of the COVID-19 pandemic on our operations, customer demand and supply chain, difficult stock market conditions as well as investor sentiment regarding our industry and our stock;

- our ability to manage our working capital requirements efficiently;

- our ability to maintain our credit facilities and obtain the necessary funds as needed;

- our ability to maintain effective internal controls, our ability to record, process and report financial information timely and accurately could be adversely affected and could result in a material misstatement in our financial statements, which could subject us to litigation or investigations, require management resources, increase our expenses, negatively affect investor confidence in our financial statements and adversely impact the trading price of our common stock.

- our ability to realize revenue from the current backlog is dependent on among other things, the delivery of key parts from our vendors in a timely manner. Backlog may not be indicative of future operating results, and existing orders may be cancelled, modified or otherwise altered by customers. We can provide no assurance as to the profitability of the contracts reflected in our backlog;

- our ability to obtain raw materials and other supplies for our products at existing or competitive prices and on a timely basis, particularly considering the impact of COVID-19 pandemic and inflation on our suppliers and supply chain;

- our anticipated growth strategies and our ability to manage the expansion of our business operations effectively;

- our ability to maintain or increase our market share in the competitive markets in which we do business;
- our ability to grow our revenue, increase our gross profit margin and become a profitable business;
- our ability to fulfill our backlog of open sales orders given delays in the receipt of key component parts and other potential manufacturing disruptions posed by the ongoing COVID-19 pandemic and general supply chain issues;
- our ability to keep up with rapidly changing technologies and evolving industry standards, including our ability to achieve technological advances;
- our dependence on the growth in demand for our products;
- our ability to compete with larger companies with far greater resources than we have;
- our ability to shift to new suppliers and incorporate new components into our products in a manner that is not disruptive to our business;
- our ability to obtain and maintain UL Listings and OEM approvals for our energy storage solutions;
- our ability to diversify our product offerings and capture new market opportunities;
- our ability to source our needs for skilled labor, machinery, parts, and raw materials economically;
- our ability to attract and retain key members of our senior management;
- our ability to continue to operate safely and effectively during the COVID-19 pandemic; and
- our dependence on few major customers.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. You should read this report and the documents that we reference, and file as exhibits to this report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

Use of Certain Defined Terms

Except where the context otherwise requires and for the purposes of this report only:

- the “Company,” “Flux,” “we,” “us,” and “our” refer to the combined business of Flux Power Holdings, Inc., a Nevada corporation and its wholly owned subsidiary, Flux Power, Inc., a California corporation (“Flux Power”);
- “Exchange Act” refers the Securities Exchange Act of 1934, as amended;
- “SEC” refers to the Securities and Exchange Commission; and
- “Securities Act” refers to the Securities Act of 1933, as amended.

PART I - Financial Information

Item 1. Financial Statements

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2022 (Unaudited)	June 30, 2022
ASSETS		
Current assets:		
Cash	$ 157,000	$ 485,000
Accounts receivable	10,467,000	8,609,000
Inventories, net	19,507,000	16,262,000
Other current assets	884,000	1,261,000
Total current assets	31,015,000	26,617,000
Right of use assets	2,601,000	2,597,000
Property, plant and equipment, net	1,561,000	1,578,000
Other assets	115,000	89,000
Total assets	$ 35,292,000	$ 30,881,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12,797,000	$ 6,645,000
Accrued expenses	2,298,000	2,209,000
Line of credit	6,811,000	4,889,000
Deferred revenue	81,000	163,000
Customer deposits	29,000	175,000
Finance lease payable, current portion	64,000	-
Office lease payable, current portion	542,000	504,000
Accrued interest	1,000	1,000
Total current liabilities	22,623,000	14,586,000
Office lease payable, less current portion	2,079,000	2,361,000
Finance lease payable, less current portion	172,000	-
Total liabilities	24,874,000	16,947,000
Stockholders' equity:		
Preferred stock, $0.001 par value; 500,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.001 par value; 30,000,000 shares authorized; 16,029,478 and 15,996,658 shares issued and outstanding at December 31, 2022 and June 30, 2022, respectively	16,000	16,000
Additional paid-in capital	96,036,000	95,732,000
Accumulated deficit	(85,634,000)	(81,814,000)
Total stockholders' equity	10,418,000	13,934,000
Total liabilities and stockholders' equity	$ 35,292,000	$ 30,881,000

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

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	**2021**	**2022**	**2021**
Revenues	$ 17,158,000	$ 7,690,000	$ 34,998,000	$ 13,961,000
Cost of sales	13,050,000	6,648,000	26,942,000	11,581,000
Gross profit	4,108,000	1,042,000	8,056,000	2,380,000
Operating expenses:				
Selling and administrative	4,250,000	4,000,000	8,786,000	7,498,000
Research and development	1,162,000	2,088,000	2,385,000	4,055,000
Total operating expenses	5,412,000	6,088,000	11,171,000	11,553,000
Operating loss	(1,304,000)	(5,046,000)	(3,115,000)	(9,173,000)
Other income	8,000	-	8,000	-
Interest expense	(385,000)	(31,000)	(713,000)	(34,000)
Net loss	$ (1,681,000)	$ (5,077,000)	$ (3,820,000)	$ (9,207,000)
Net loss per share - basic and diluted	$ (0.10)	$ (0.32)	$ (0.24)	$ (0.62)
Weighted average number of common shares outstanding - basic and diluted	16,020,183	15,987,502	16,008,740	14,895,989

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

FLUX POWER HOLDING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

	Common Stock				
	Shares	**Capital Stock Amount**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Total**
Balance at June 30, 2022	15,996,658	$ 16,000	$ 95,732,000	$ (81,814,000)	$ 13,934,000
Issuance of common stock – exercised options and RSU settlement	1,678	-	-	-	-
Stock based compensation	-	-	95,000	-	95,000
Net loss	-	-	-	(2,139,000)	(2,139,000)
Balance at September 30, 2022	15,998,336	16,000	95,827,000	(83,953,000)	11,890,000
Issuance of common stock – exercised options and RSU settlement	31,142	-	-	-	-
Stock based compensation	-	-	209,000	-	209,000
Net loss	-	-	-	(1,681,000)	(1,681,000)
Balance at December 31, 2022	16,029,478	$ 16,000	$ 96,036,000	$ (85,634,000)	$ 10,418,000

	Common Stock				
	Shares	**Capital Stock Amount**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Total**
Balance at June 30, 2021	13,652,164	$ 14,000	$ 79,197,000	$ (66,205,000)	$ 13,006,000
Issuance of common stock and warrants – registered direct offering, net of costs	2,142,860	2,000	14,074,000	-	14,076,000
Issuance of common stock – public offering, net of costs	190,782	-	1,602,000	-	1,602,000
Issuance of common stock – exercised options	1,696	-	-	-	-
Stock based compensation	-	-	200,000	-	200,000
Net loss	-	-	-	(4,130,000)	(4,130,000)
Balance at September 30, 2021	15,987,502	16,000	95,073,000	(70,335,000)	24,754,000
Additional offering costs related to the registered direct offering	-	-	(105,000)	-	(105,000)
Stock based compensation	-	-	249,000	-	249,000
Net loss	-	-	-	(5,077,000)	(5,077,000)
Balance at December 31, 2021	15,987,502	$ 16,000	$ 95,217,000	$ (75,411,000)	$ 19,822,000

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

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (3,820,000)	$ (9,207,000)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	371,000	259,000
Stock-based compensation	304,000	449,000
Amortization of debt issuance costs	368,000	-
Noncash lease expense	236,000	214,000
Allowance for inventory reserve	135,000	169,000
Changes in operating assets and liabilities:		
Accounts receivable	(1,858,000)	913,000
Inventories	(3,380,000)	(9,239,000)
Other current assets	(17,000)	(409,000)
Accounts payable	6,152,000	2,064,000
Accrued expenses	89,000	(350,000)
Accrued interest	-	1,000
Office lease payable	(244,000)	(211,000)
Deferred revenue	(82,000)	116,000
Customer deposits	(146,000)	(171,000)
Net cash used in operating activities	(1,892,000)	(15,401,000)
Cash flows from investing activities		
Purchases of equipment	(344,000)	(530,000)
Proceeds from sale of fixed assets	8,000	-
Net cash used in investing activities	(336,000)	(530,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock in registered direct offering, net of offering costs	-	13,971,000
Proceeds from issuance of common stock in public offering, net of offering costs	-	1,602,000
Proceeds from revolving line of credit	30,550,000	3,500,000
Payment of revolving line of credit	(28,628,000)	-
Payment of financed leases	(22,000)	-
Net cash provided by financing activities	1,900,000	19,073,000
Net change in cash	(328,000)	3,142,000
Cash, beginning of period	485,000	4,713,000
Cash, end of period	$ 157,000	$ 7,855,000
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Initial right of use asset recognition	$ 258,000	$ -
Common stock issued for vested RSUs	$ 114,000	$ -
Supplemental cash flow information:		
Interest paid	$ 288,000	$ 33,000

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

NOTE 1 - NATURE OF BUSINESS

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules of the Securities and Exchange Commission ("SEC") applicable to interim reports of companies filing as a smaller reporting company. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2022 filed with the SEC on September 28, 2022. In the opinion of management, the accompanying condensed consolidated interim financial statements include all adjustments necessary in order to make the financial statements not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year or any other future period. Certain notes to the financial statements that would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal year as reported in the Company's Annual Report on Form 10-K have been omitted. The accompanying condensed consolidated balance sheet at June 30, 2022 has been derived from the audited balance sheet at June 30, 2022 contained in such Form 10-K.

Nature of Business

Flux Power Holdings, Inc. ("Flux") was incorporated in 2008 in the State of Nevada, and Flux's operations are conducted through its wholly owned subsidiary, Flux Power, Inc. ("Flux Power"), a California corporation (collectively, the "Company").

We design, develop, manufacture, and sell a portfolio of advanced lithium-ion energy storage solutions for electrification of a range of industrial commercial sectors which include material handling, airport ground support equipment ("GSE"), and stationary energy storage. We believe our mobile and stationary energy storage solutions provide customers with a reliable, high performing, cost effective, and more environmentally friendly alternative as compared to traditional lead acid and propane-based solutions. Our modular and scalable design allows different configurations of lithium-ion battery packs to be paired with our proprietary wireless battery management system to provide the level of energy storage required and "state of the art" real time monitoring of pack performance. We believe that the increasing demand for lithium-ion battery packs and more environmentally friendly energy storage solutions in the material handling sector should continue to drive our revenue growth.

As used herein, the terms "we," "us," "our," "Flux," and "Company" mean Flux Power Holdings, Inc., unless otherwise indicated. All dollar amounts herein are in U.S. dollars unless otherwise stated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2, "Summary of Significant Accounting Policies," in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2022. There have been no material changes in these policies or their application.

Management has considered all recent accounting pronouncements issued since the last audit of the Company's consolidated financial statements and believes that these recent pronouncements will not have a material effect on the Company's condensed consolidated financial statements.

Net Loss Per Common Share

The Company calculates basic loss per common share by dividing net loss by the weighted average number of common shares outstanding during the periods. Diluted loss per common share includes the impact from all dilutive potential common shares relating to outstanding convertible securities.

For the three months ended December 31, 2022 and 2021, basic and diluted weighted-average common shares outstanding were 16,020,183 and 15,987,502, respectively. For the six months ended December 31, 2022 and 2021, basic and diluted weighted-average common shares outstanding were 16,008,740 and 14,895,989, respectively. The Company incurred a net loss for the three and six months ended December 31, 2022 and 2021, and therefore, basic and diluted loss per share for the periods were the same because potential common share equivalent would have been anti-dilutive. The total potentially dilutive common shares outstanding at December 31, 2022 and 2021 that were excluded from diluted weighted-average common shares outstanding represent shares underlying outstanding convertible debt, stock options, RSUs, and warrants, and totaled 2,608,505 and 2,092,851, respectively.

At December 31, 2022 and 2021 potentially dilutive common shares outstanding that were excluded from diluted weighted-average common shares outstanding were as follows:

	December 31, 2022	December 31, 2021
Stock options	1,019,602	513,606
RSUs	216,989	292,932
Warrants	1,371,914	1,286,313
Total	2,608,505	2,092,851

Liquidity Considerations

The accompanying financial statements and notes have been prepared assuming the Company will continue as a going concern. For the six months ended December 31, 2022 and the year ended June 30, 2022, the Company generated negative cash flows from operations of $1.9 million and $23.9 million, respectively, and had an accumulated deficit of $85.6 million and $81.8 million, respectively. Management has evaluated the Company's expected cash requirements over the next twelve (12) months, including investments in additional sales and marketing and research and development, capital expenditures, and working capital requirements. Management believes the Company's existing cash, funding available under the SVB Credit Facility and the subordinated line of credit ("Subordinated LOC"), expected improvements in the gross margin and lower cash requirements will enable the Company to fund planned operations for the next twelve (12) months.

Historically, the Company has not generated sufficient cash to fund its operations. The Company is continuing efforts to improve operational efficiencies and to generate revenue from its existing backlog. Management currently anticipates increased revenues as well as improvements in the Company's gross margin over the next twelve (12) months. The Company has received new orders in the twelve-month period ended December 31, 2022, of approximately $62.4 million.

As of February 6, 2023, the Company had a cash balance of $964,000, $5.7 million remaining balance under the SVB Credit Facility and $4.0 million was available for future draws under the Subordinated LOC. As of February 6, 2023, $5.7 million remained available under the Company's ATM agreement. In addition, to support our operations and anticipated growth, we intend to explore additional sources of capital as needed. We also continue to execute our cost reduction, sourcing, pricing recovery initiatives in efforts to increase our gross margins and improve cash flow from operations. Any unforeseen factors in the general economy beyond management's control could potentially have negative impact on the planned gross margin improvement plan.

NOTE 3 – ACCRUED EXPENSES

Accrued expenses consist of the following:

	December 31, 2022	June 30, 2022
Payroll and bonus accrual	$ 719,000	$ 767,000
PTO accrual	412,000	430,000
Warranty liability	1,167,000	1,012,000
Total Accrued expenses	$ 2,298,000	$ 2,209,000

NOTE 4 – NOTES PAYABLE

Revolving Line of Credit

On November 9, 2020, the Company entered into a Loan and Security Agreement ("Agreement") with Silicon Valley Bank ("SVB").

On October 29, 2021, the Company entered into a First Amendment to Loan and Security Agreement ("First Amendment" and together with the Agreement, the "Loan Agreement") with SVB which amended certain terms of the Agreement including, but not limited to, increasing the amount of the revolving line of credit from $4.0 million to $6.0 million, and extending the maturity date to November 7, 2022. The First Amendment provided the Company with a senior secured credit facility for up to $6.0 million available on a revolving basis ("Revolving LOC"). Outstanding principal under the Revolving LOC accrued interest at a floating rate per annum equal to the greater of (i) Prime Rate plus two and a half percent (2.50%), or (ii) five and three-quarters percent (5.75%). The Company paid a non-refundable commitment fee of $15,000 upon execution of the Agreement and an additional non-refundable commitment fee of $22,500 in connection with the First Amendment.

On June 23, 2022, the Company entered into a Second Amendment to Loan and Security Agreement ("Second Amendment" and together with the Loan Agreement,, the "Second Amended Loan Agreement") with SVB, which amended certain terms of the Loan Agreement , including but not limited to, (i) increasing the amount of the revolving line of credit to $8.0 million, (ii) changing the financial covenants of the Company from one based on tangible net worth to another based on adjusted EBITDA (as defined in the Second Amendment) on a trailing six (6) month basis and liquidity ratio certified as of the end of each month pursuant to the calculations set forth therein, and (iii) allowing for the assignment and transfer by SVB of all of its obligations, rights and benefits under the Agreement and Loan Documents (as defined in the Agreement and except for the Warrants).

In addition, under the Second Amendment, the interest rate terms for the outstanding principal under the Revolving LOC were amended to accrue interest at a floating per annum rate equal to the greater of either (A) Prime Rate plus three and one-half of one percent (3.50%) or (B) seven and one-half of one percent (7.50%). Interest payments are due monthly on the last day of the month. In addition, the Company is required to pay a quarterly unused facility fee equal to one-quarter of one percent (0.25%) per annum of the average daily unused portion of the $8.0 million commitment under the SVB Credit Facility, depending upon availability of borrowings under the Revolving LOC. Pursuant to the Second Amendment, the Company paid SVB a non-refundable amendment fee of $5,000 and SVB's legal fees and expenses incurred in connection with the Second Amendment.

In connection with the Second Amendment, the Company issued a twelve-year warrant to SVB and its designee, SVB Financial Group, to purchase up to 40,806 shares of common stock of the Company at an exercise price of $2.23 per share pursuant to the terms set forth therein.

On November 7, 2022, we entered into a Third Amendment to Loan and Security Agreement ("Third Amendment") with SVB, which amended certain terms of the Second Amended Loan Agreement (together with the Third Amendment, the "Third Amended Loan Agreement"), including but not limited to, (i) extending the maturity date from November 7, 2022 to May 7, 2023 (the "Extension Period"), (ii) amending the financial covenants of the Company to cover the Extension Period and to include a liquidity ratio financial covenant, and (iii) amending the definition of Permitted Liens (as defined in the Third Amendment). Pursuant to the Third Amendment, the Company paid SVB a non-refundable amendment fee of $12,500 and SVB's legal fees and expenses incurred in connection with the Third Amendment.

On January 10, 2023, the Company entered into a Fourth Amendment to Loan and Security Agreement (the "Fourth Amendment") with SVB, which amended certain terms of the Third Amended Loan Agreement (together with the Fourth Amendment, the "Agreement"), including but not limited to, (i) increasing the amount of the SVB Credit Facility from $8.0 million to $14.0 million, (ii) removing the liquidity ratio financial covenant of the Company under Section 6.9 of the Third Amended Loan Agreement, (iii) amending the definition of Borrowing Base (as defined in the Fourth Amendment), which includes a new defined term for Net Orderly Liquidation Value (as defined in the Fourth Amendment), and (iv) removing certain defined liquidity terms under Section 13.1 of the Third Amended Loan Agreement. (See Note 9 – Subsequent Events). Pursuant to the Fourth Amendment, the Company paid SVB a non-refundable amendment fee of $10,000 and SVB's legal fees and expenses incurred in connection with the Fourth Amendment.

The Company has used the SVB Credit Facility to fund its operations and working capital requirements. Amounts outstanding under the Revolving LOC are secured by substantially all tangible and intangible assets of the Company (including, without limitation, intellectual property) pursuant to the terms of the Fourth Amended Loan Agreement, and the Intellectual Property Security Agreement dated as of October 29, 2021. During the six months ended December 31, 2022, the Company had multiple Revolving LOC drawdowns totaling $30.6 million and multiple Revolving LOC payments totaling $28.6 million. As of December 31, 2022, the outstanding balance under the Revolving LOC was approximately $6.8 million.

As noted above, on January 10, 2023, the SVB Credit Facility was increased by $6.0 million to $14.0 million and as of February 6, 2023, $5.7 million remaining balance for future draws through May 7, 2023, unless the credit facility is renewed and its term is extended prior to its expiration. (See Note 9 – Subsequent Events)

NOTE 5 - RELATED PARTY DEBT AGREEMENTS

As of December 31, 2022 and June 30, 2022, the Company had no related party debt balance outstanding. Below are the activities for the Company's related party debt agreements that existed during the periods ended December 31, 2022 and 2021 covered by the accompanying unaudited condensed consolidated financial statements.

Subordinated Line of Credit Facility

On May 11, 2022, the Company entered into a Credit Facility Agreement (the "Subordinated LOC") with Cleveland Capital, L.P., a Delaware limited partnership ("Cleveland"), Herndon Plant Oakley, Ltd., ("HPO"), and other lenders (together with Cleveland and HPO, the "Lenders"). The Subordinated LOC provides the Company with a short-term line of credit not less than $3,000,000 and not more than $5,000,000, the proceeds of which shall be used by the Company for working capital purposes. In connection with the Subordinated LOC, the Company issued a separate subordinated unsecured promissory note in favor of each respective Lender (each promissory note, a "Note") for each Lender's commitment amount (each such commitment amount, a "Commitment Amount"). As of December 31, 2022, the Lenders committed to an aggregate commitment of $4,000,000.

Pursuant to the terms of the Subordinated LOC, each Lender severally agrees to make loans (each such loan, an "Advance") up to such Lender's Commitment Amount to the Company from time to time, until December 31, 2022 (the "Due Date"). The Company may, from time to time, prior to the Due Date, draw down, repay, and re-borrow on the Note, by giving notice to the Lenders of the amount to be requested to be drawn down.

Each Note bears an interest rate of 15.0% per annum on each Advance from and after the date of disbursement of such Advance and is payable on (i) the Due Date in cash or shares of common stock of the Company (the "Common Stock") at the sole election of the Company, unless such Due Date extended pursuant to the Note, or (ii) on occurrence of an event of Default (as defined in the Note). The Due Date may be extended (i) at the sole election of the Company for one (1) additional year period from the Due Date upon the payment of a commitment fee equal to two percent (2%) of the Commitment Amount to the Lender within thirty (30) days prior to the original Due Date, or (ii) by the Lender in writing. In addition, each Lender signed a Subordination Agreement by and between the Lenders and SVB dated as of May 11, 2022 (the "Subordination Agreement") for the purposes of subordinating the right to payment under the Note to SVB's indebtedness by the Company now outstanding or hereinafter incurred. On December 15, 2022, the Board of Directors of the Company elected to extend the Due Date to December 31, 2023 and the Company paid the Lenders an extension fee in the aggregate amount of $80,000.

The Subordinated LOC includes customary representations, warranties and covenants by the Company and the Lenders. The Company has also agreed to pay the legal fees of Cleveland's counsel in an amount up to $10,000. In addition, each Note also provides that, upon the occurrence of a Default, at the option of the Lender, the entire outstanding principal balance, all accrued but unpaid interest and/or Late Charges (as defined in the Note) at once will become due and payable upon written notice to the Company by the Lender.

In connection with entry into the Subordinated LOC, the Company paid to each Lender a one-time committee fee in cash equal to 3.5% of such Lender's Commitment Amount. In addition, in consideration of the Lenders' commitment to provide the Advances to the Company, the Company issued the Lenders five-year warrants to purchase an aggregate of 128,000 shares of common stock at an exercise price of $2.53 per share that are, subject to certain ownership limitations, exercisable immediately (the "Warrants") (the number of warrants issued to each Lender is equal to the product of (i) 160,000 shares of common stock multiplied by (ii) the ratio represented by each Lender's Commitment Amount divided by the $5,000,000).

Pursuant to a selling agreement, dated as of May 11, 2022, the Company retained HPO as its placement agent in connection with the Subordinated LOC. As compensation for services rendered in conjunction with the Subordinated LOC, the Company paid HPO a finder fee equal to 3% of the Commitment Amount from each such Lender placed by HPO in cash.

NOTE 6 - STOCKHOLDERS' EQUITY

At-The-Market ("ATM") Offering

On December 21, 2020 the Company entered into a Sales Agreement (the "Sales Agreement") with H.C. Wainwright & Co., LLC ("HCW") to sell shares of its common stock, par value $0.001 (the "Common Stock") from time to time, through an "at-the-market offering" program (the "ATM Offering").

The Company agreed to pay HCW a commission in an amount equal to 3.0% of the gross sales proceeds of the shares sold under the Sales Agreement. In addition, the Company agreed to reimburse HCW for certain legal and other expenses incurred up to a maximum of $50,000 to establish the ATM Offering, and $2,500 per quarter thereafter to maintain such program under the Sales Agreement. The Company has also agreed pursuant to the Sales Agreement to indemnify and provide contribution to HCW against certain liabilities, including liabilities under the Securities Act.

On May 27, 2021, the Company filed Amendment No. 1 (the "Amendment") to the prospectus supplement dated December 21, 2020 (the "Prospectus Supplement") to increase the size of the ATM Offering from an aggregate offering price of up to $10 million in the Prospectus Supplement to an amended maximum aggregate offering price of up to $20 million of shares of the Company's common stock (the "Shares") (which amount includes the value of shares the Company has already sold prior to the date of the Amendment) pursuant to the base prospectus dated October 26, 2020, the Prospectus Supplement, and the Amendment (collectively, the "Prospectus").

From December 21, 2020 through December 31, 2022, the Company sold an aggregate of 1,169,564 shares of common stock at an average price of $12.24 per share for gross proceeds of approximately $14.3 million under the ATM Offering. The Company received net proceeds of approximately $13.7 million, net of commissions and other offering related expenses.

The Shares was registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to the Company's Registration Statement on Form S-3 (File No. 333-249521), declared effective by the Securities and Exchange Commission (the "Commission") on October 26, 2020, and the Prospectus. Sales of the Shares, if any, may be made by any method permitted by law deemed to be an "at-the-market offering" as defined in Rule 415(a)(4) of the Securities Act. The Company or the HCW may, upon written notice to the other party in accordance with the terms of the Sales Agreement, suspend offers and sales of the Shares. The Company and HCW each have the right, in its sole discretion, to terminate the Sales Agreement at any time upon prior written notice pursuant to the terms and subject to the conditions set forth in the Sales Agreement.

Registered Direct Offering

On September 27, 2021, the Company closed a registered direct offering, priced at-the-market under Nasdaq rules ("RDO") for the sale of 2,142,860 shares of common stock and warrants to purchase up to an aggregate of 1,071,430 shares of common stock, at an offering price of $7.00 per share and associated warrant for gross proceeds of approximately $15.0 million prior to deducting offering expenses totaling approximately $1.0 million. The associated warrants have an exercise price equal to $7.00 per share and are exercisable upon issuance and expire in five years. HCW acted as the exclusive placement agent for the registered direct offering.

The securities sold in the RDO were sold pursuant to a "shelf" registration statement on Form S-3 (File No. 333-249521), including a base prospectus, previously filed with the Securities and Exchange Commission (the "SEC") on October 16, 2020 and declared effective by the SEC on October 26, 2020. The registered direct offering of the securities was made by means of a prospectus supplement dated September 22, 2021 and filed with the SEC, that forms a part of the effective registration statement.

Warrants

In August 2020 and in conjunction with the Company's public offering, the Company issued five-year warrants to the underwriters to purchase up to 185,955 shares of the Company's common stock at an exercise price of $4.80 per share and had a fair value of approximately $513,000. The underwriters' warrants became exercisable on February 8, 2021.

In connection with the Company's RDO, in September 2021 the Company issued five-year warrants to the RDO investors to purchase up to 1,071,430 shares of the Company's common stock at an exercise price of $7.00 per share and were estimated to have a fair value of approximately $3,874,000. The warrants were exercisable immediately and are limited to beneficial ownership of 4.99% at any point in time in accordance with the warrant agreement.

In May 2022 and in conjunction with entry into a credit facility with Cleveland , HPO, and other lenders (together with Cleveland and HPO, the "Lenders"), the Company issued five-year warrants to the Lenders to purchase up to 128,000 shares of the Company's common stock at an exercise price of $2.53 per share and had a fair value of approximately $173,000.

In June 2022 and in conjunction with the entry into the Second Amendment to Loan and Security Agreement with SVB, the Company issued twelve-year warrants to SVB and its designee, SVB Financial Group, to purchase up to 40,806 shares of the Company's common stock at an exercise price of $2.23 per share and had a fair value of approximately $80,000.

Warrant detail for the six months ended December 31, 2022 is reflected below:

	Number of Warrants	Weighted Average Exercise Price Per Warrant	Weighted Average Remaining Contract Term (# years)
Warrants outstanding and exercisable at June 30, 2022	1,455,119	$ 6.10	
Warrants cancelled	(83,205)	$ 4.00	
Warrants outstanding and exercisable at December 31, 2022	1,371,914	$ 6.23	3.92

Warrant detail for the six months ended December 31, 2021 is reflected below:

	Number of Warrants		Weighted Average Exercise Price Per Warrant	Remaining Contract Term (# years)
Warrants outstanding and exercisable at June 30, 2021	214,883	$	4.49	
Warrants issued	1,071,430	$	7.00	
Warrants outstanding and exercisable at December 31, 2021	1,286,313	$	6.58	4.35

Stock Options

In connection with the reverse acquisition of Flux Power, Inc. in 2012, the Company assumed the 2010 Plan. As of December 31, 2022, there were 22,536 options to purchase common stock outstanding under the 2010 Plan. No additional options may be granted under the 2010 Plan.

On February 17, 2015 the Company's stockholders approved the 2014 Equity Incentive Plan (the "2014 Plan"). The 2014 Plan offers certain employees, directors, and consultants the opportunity to acquire the Company's common stock subject to vesting requirements and serves to encourage such persons to remain employed by the Company and to attract new employees. The 2014 Plan allows for the award of the Company's common stock and stock options, up to 1,000,000 shares of the Company's common stock. As of December 31, 2022, 109,027 shares of the Company's common stock were available for future grants under the 2014 Plan.

On April 29, 2021, the Company's stockholders approved the 2021 Equity Incentive Plan (the "2021 Plan"). The 2021 Plan authorizes the issuance of awards for up to 2,000,000 shares of common stock in the form of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock units, restricted stock awards and unrestricted stock awards to officers, directors and employees of, and consultants and advisors to, the Company or its affiliates. As of December 31, 2022, 1,552,674 shares of the Company's common stock were available for future grants under the 2021 Plan.

On October 31, 2022, the Board of Directors authorized a total of 624,441 stock options to be granted under the Company's 2014 Plan and 2021 Plan.

Activity in the Company's stock options during the six months ended December 31, 2022 and related balances outstanding as of that date are reflected below:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2022	503,433	$	11.03	
Granted	624,441	$	3.43	
Exercised	(22,500)	$	4.60	
Forfeited and cancelled	(85,772)	$	13.46	
Outstanding at December 31, 2022	1,019,602	$	6.32	7.98
Exercisable at December 31, 2022	399,922	$	10.79	5.10

Activity in the Company's stock options during the six months ended December 31, 2021 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2021	531,205	$ 11.02	
Granted	-	$ -	
Exercised	(3,400)	$ 4.65	
Forfeited and cancelled	(14,199)	$ 13.70	
Outstanding at December 31, 2021	513,606	$ 10.99	6.20
Exercisable at December 31, 2021	500,623	$ 10.95	6.16

Restricted Stock Units

On November 5, 2020, the Company's Board of Directors approved an amendment to the 2014 Plan, to allow for grants of Restricted Stock Units ("RSUs"). Subject to vesting requirements set forth in the RSU Award Agreement, one share of common stock is issuable for one vested RSU. On November 5, 2020, the Board of Directors authorized the following RSUs to be granted under the amended 2014 Option Plan: (i) a total of 43,527 RSUs to certain executive officers as one-time retention incentive awards, and (ii) a total of 91,338 RSUs to certain key employees as annual equity compensation of which 45,652 were performance-based RSUs and 45,686 were time-based RSUs. On April 29, 2021, an additional 18,312 time-based RSUs were authorized by the Company's Board of Directors to be granted under the amended 2014 Option Plan. On October 29, 2021, the Board of Directors authorized the following RSUs to be granted under the amended 2014 Option Plan: (i) a total of 97,828 RSUs to certain executive officers of which 48,914 were performance-based RSUs and 48,914 were time-based RSUs, and (ii) a total of 81,786 time-based RSUs to certain other key employees. The RSUs are subject to the terms and conditions provided in (i) the Restricted Stock Unit Award Agreement for time-based awards ("Time-based Award Agreement"), and (ii) the Performance Restricted Stock Unit Award Agreement for performance-based awards ("Performance-based Award Agreement").

Activity in RSUs during the six months ended December 31, 2022 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Grant date Fair Value	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2022	304,221	$ 6.06	
Granted	5,034	$ 2.70	
Vested and settled	(32,248)	$ 3.49	
Forfeited and cancelled	(60,018)	$ 6.51	
Outstanding at December 31, 2022	216,989	$ 5.92	1.07

Activity in RSUs during the six months ended December 31, 2021 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Grant date Fair Value	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2021	131,652	$ 9.25	2.72
Granted	179,614	$ 5.75	-
Forfeited and cancelled	(18,334)	$ 7.71	-
Outstanding at December 31, 2021	292,932	$ 7.22	2.69

Stock-based Compensation

Stock-based compensation expense for the three and six months ended December 31, 2022 and 2021 represents the estimated fair value of stock options and RSUs at the time of grant amortized under the straight-line method over the expected vesting period and reduced for estimated forfeitures of options and RSUs. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from original estimates. At December 31, 2022, the aggregate intrinsic value of exercisable stock options was approximately $335,000.

The following table summarizes stock-based compensation expense for employee and non-employee stock option and RSU grants:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Research and development	$ 43,000	$ 54,000	$ 69,000	$ 90,000
Selling and administrative	166,000	195,000	235,000	359,000
Total stock-based compensation expense	$ 209,000	$ 249,000	$ 304,000	$ 449,000

The Company uses the Black-Scholes valuation model to calculate the fair value of stock options. The fair value of stock options was measured at the grant date using the assumptions (annualized percentages) in the table below:

	Six Months Ended December 31,	
	2022	2021 (1)
Expected volatility	90.12%	*
Risk free interest rate	4.21%	*
Forfeiture rate	20%	*
Dividend yield	0%	*
Expected term (years)	6.25	*

(1) No stock option was granted during the six months ended December 31, 2021.

At December 31, 2022, the unamortized stock-based compensation expense related to outstanding stock options and RSUs was approximately $1,030,000 and $503,000, respectively, and these amounts are expected to be expensed over the weighted-average remaining recognition period of 3.83 years and 1.07 years, respectively.

NOTE 7 - CONCENTRATIONS

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and unsecured trade accounts receivable. The Company maintains cash balances in non-interest bearing bank deposit accounts at a California commercial bank. The Company's cash balance at this institution is secured by the Federal Deposit Insurance Corporation up to $250,000. As of December 31, 2022 and June 30, 2022, cash was approximately $157,000 and $485,000, respectively. The Company has not experienced any losses in such accounts. Management believes that the Company is not exposed to any significant credit risk with respect to its cash.

Customer Concentrations

During the three months ended December 31, 2022, the Company had three (3) major customers that each represented more than 10% of revenues on an individual basis, and together represented approximately $11,542,000 or 67% of total revenues. During the six months ended December 31, 2022, the Company had three (3) major customers that each represented more than 10% of revenues on an individual basis, and together represented approximately $22,336,000 or 64% of total revenues.

During the three months ended December 31, 2021, the Company had two (2) major customers that each represented more than 10% of revenues on an individual basis, and together represented approximately $4,239,000 or 55% of total revenues. During the six months ended December 31, 2021, the Company had three (3) major customers that each represented more than 10% of revenues on an individual basis, and together represented approximately $7,699,000 or 55% of total revenues.

Suppliers/Vendor Concentrations

The Company obtains several components and supplies included in its products from a group of suppliers. During the three months ended December 31, 2022, the Company had one (1) supplier who accounted for more than 10% of total purchases and represented approximately $4,992,000 or 32% of total purchases. During the six months ended December 31, 2022, the Company had one (1) supplier who accounted for more than 10% of total purchases and represented approximately $9,149,000 or 29% of total purchases. We continue to assess our supplier base to ensure alignment with our expanding needs.

During the three months ended December 31, 2021, the Company had three (3) suppliers who accounted for more than 10% of total purchases on an individual basis, and together represented approximately $4,614,000 or 39% of total purchases. During the six months ended December 31, 2021, the Company had two (2) suppliers who accounted for more than 10% of total purchases on an individual basis, and together represented approximately $5,397,000 or 26% of total purchases.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm the Company's business. The Company is not aware of any material legal proceedings currently pending or expected against the Company.

Operating Leases

On April 25, 2019 the Company signed a Standard Industrial/Commercial Multi-Tenant Lease ("Lease") with Accutek to rent approximately 45,600 square feet of industrial space at 2685 S. Melrose Drive, Vista, California. The Lease has an initial term of seven years and four months and commenced on or about June 28, 2019. The lease contains an option to extend the term for two periods of 24 months each, and the right of first refusal to lease an additional approximate 15,300 square feet. The monthly rental rate was $42,400 for the first 12 months, escalating at 3% each year.

On February 26, 2020, the Company entered into the First Amendment to Standard Industrial/Commercial Multi-Tenant Lease dated April 25, 2019 (the "Amendment") with Accutek to rent an additional 16,309 rentable square feet of space plus a residential unit of approximately 1,230 rentable square feet (for a total of approximately 17,539 rentable square feet). The lease for the additional space commenced 30 days following the occupancy date of the additional space and will terminate concurrently with the term of the original lease, which expires on November 20, 2026. The base rent for the additional space is the same rate as the space rented under the terms of the original lease, $0.93 per rentable square (subject to 3% annual increase). In connection with the Amendment, the Company purchased certain existing office furniture for a total purchase price of $8,300.

Total rent expense was approximately $217,000 and $215,000 for the three months ended December 31, 2022 and 2021, respectively. Total rent expense was approximately $439,000 and $429,000 for the six months ended December 31, 2022 and 2021, respectively.

Capital Leases

On September 2, 2022 the Company leased a vehicle to be used for corporate transportation activities. The Lease has a term of sixty (60) months and commenced on September 10, 2022. The monthly lease payment is approximately $1,100 excluding sales tax and other fees.

On October 17, 2022 the Company leased certain equipment to be used for manufacturing and testing our products. The Lease has a term of thirty-six (36) months and commenced on October 17, 2022. The monthly lease payment is approximately $5,500.

Lease costs are amortized on a straight-line basis over their respective lease terms. Depreciation expense related to leased assets was approximately $18,000 for the three and six months ended December 31, 2022. Interest expense on leased liabilities was approximately $5,000 for the three and six months ended December 31, 2022. The Company did not have any financed leases during the six months ended December 31, 2021.

The Future Minimum Lease Payments as of December 31, 2022 are as follows:

	Operating Leases	Finance Leases
Year Ending June 30,		
2023 (remaining six months)	$ 385,000	$ 36,000
2024	791,000	81,000
2025	815,000	80,000
2026	840,000	32,000
2027	359,000	15,000
Thereafter	-	20,000
Total Future Minimum Lease Payments	3,190,000	264,000
Less: discount	(569,000)	(28,000)
Total lease liability	$ 2,621,000	$ 236,000

NOTE 9 - SUBSEQUENT EVENTS

On January 10, 2023, the Company entered into a Fourth Amendment to Loan and Security Agreement (the “Fourth Amendment”) with SVB, which amended certain terms of the Loan and Security Agreement dated November 9, 2020, as amended on October 29, 2021, as further amended on June 23, 2022, and as further amended on November 7, 2022 (together with the Fourth Amendment, the “Agreement”), including but not limited to, (i) increasing the amount of the revolving line of credit from $8.0 million to $14.0 million, (ii) removing the liquidity ratio financial covenant of the Company under Section 6.9 of the Agreement, (iii) amending the definition of Borrowing Base (as defined in the Fourth Amendment), which includes a new defined term for Net Orderly Liquidation Value (as defined in the Fourth Amendment), and (iv) removing certain defined liquidity terms under Section 13.1 of the Agreement. Pursuant to the Fourth Amendment, the Company paid SVB a non-refundable amendment fee of $10,000 and SVB’s legal fees and expenses incurred in connection with the Fourth Amendment. As of February 6, 2023, $5.7 million remaining balance for future draws through May 7, 2023, unless the credit facility is renewed and its term is extended prior to its expiration.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information which management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. The discussion should be read in conjunction with the unaudited interim condensed consolidated Financial Statements and Notes thereto and Part II, Item 7, Management's Discussion and Analysis of Financial condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

Business Overview

We design, develop, manufacture, and sell a portfolio of advanced lithium-ion energy storage solutions for electrification of a range of industrial commercial sectors which include material handling, airport ground support equipment ("GSE"), and other commercial and industrial applications. We believe our mobile and stationary energy storage solutions provide our customers a reliable, high performing, cost effective, and more environmentally friendly alternative as compared to traditional lead acid and propane-based solutions. Our modular and scalable design allows different configurations of lithium-ion battery packs to be paired with our proprietary wireless battery management system to provide the level of energy storage required and "state of the art" real time monitoring of pack performance. We believe that the increasing demand for lithium-ion battery packs and more environmentally friendly energy storage solutions in the material handling sector should continue to drive our revenue growth.

Our long-term strategy is to meet the rapidly growing demand for lithium-ion energy solutions and to be the supplier of choice, targeting large companies having demanding energy storage needs. We have established selling relationships equipment OEMs and customers with large fleets of forklifts and GSEs. We intend to reach this goal by investing in research and development to expand our product mix, expanding our sales and marketing efforts, improving our customer support efforts and continuing our efforts to improve production capacity and efficiencies. Our research and development efforts will continue to focus on providing adaptable, reliable and cost-effective energy storage solutions for our customers.

Our largest sector of penetration thus far has been the material handling sector which we believe is a multi-billion dollar addressable market. We believe the sector will provide us with an opportunity to grow our business as we enhance our product mix and service levels and grow our sales to large fleets of forklifts and GSEs. Applications of our modular packs for other industrial and commercial uses, such as solar energy storage, are providing additional growth opportunities. We intend to continue to expand our supply chain and customer partnerships and seek further partnerships and/or acquisitions that provide synergy to meeting our growth and "building scale" objectives.

The following table summarizes the new orders, shipments, and backlog activities for the last six (6) fiscal quarters:

Fiscal Quarter Ended	Beginning Backlog	New Orders	Shipments	Ending Backlog
September 30, 2021	$ 12,624,000	$ 13,122,000	$ 6,313,000	$ 19,433,000
December 31, 2021	$ 19,433,000	$ 19,819,000	$ 7,837,000	$ 31,415,000
March 31, 2022	$ 31,415,000	$ 20,495,000	$ 13,317,000	$ 38,593,000
June 30, 2022	$ 38,593,000	$ 11,622,000	$ 15,195,000	$ 35,020,000
September 30, 2022	$ 35,020,000	$ 9,678,000	$ 17,840,000	$ 26,858,000
December 31, 2022	$ 26,858,000	$ 20,652,000	$ 17,158,000	$ 30,352,000

"Backlog" represents the amount of anticipated revenues we may recognize in the future from existing contractual orders with customers that are in progress and have not yet shipped. Backlog values may not be indicative of future operating results as orders may be cancelled, modified or otherwise altered by customers. In addition, our ability to realize revenue from our backlog will be dependent on the delivery of key parts from our suppliers and our ability to manufacture and ship our products to customers in a timely manner. There can be no assurance that outstanding customer orders will be fulfilled as expected and that our backlog will result in future revenues.

As of February 6, 2023, our order backlog was approximately $29.8 million .

Business Updates

Supply Chain Issues and Higher Procurement Costs

The supply chain disruptions that started during the COVID-19 pandemic continue, notably with delivery delays at the ports of Los Angeles and Long Beach. In addition, the price of steel and certain other electrical components used in our products have seen dramatic increases, along with increased shipping costs. It is impossible to predict how long the current disruptions to the cost and availability of raw materials and component parts will last. We implemented price increases on certain new product orders in October 2021 and April 2022 to offset rising global costs of raw materials and component parts. In addition, we increased our inventory of raw materials and component parts to $19.5 million as of December 31, 2022 to mitigate potential supply chain disruptions and support timely deliveries. However, there can be no assurance that our price increases, inventory levels or any future steps we take will be sufficient to offset the rising procurement costs and manage sourcing of raw materials and component parts effectively.

To address some of these negative consequences and to support the future growth of our business, we have implemented a number of new strategic initiatives. Our first priority over the coming quarters is achieving "profitability," specifically, cash flow breakeven. Accordingly, we continue to focus our efforts on the following strategic initiatives:

○ **Gross margin improvements**

- Utilize lower cost, more reliable, and secondary suppliers of key components including cells, steel, electronics, circuit boards and other key components.
- Actively manage our suppliers to avoid supply chain disruptions and related risks.
- Introduce new designs, including a simplified "platform" that reduces part count, lowers cost, improves manufacturability and serviceability.
- Focus on ensuring profitability of all product lines by increasing prices where appropriate, discontinuing unprofitable lines and closely managing our mix of products.
- Seek more competitive carriers to reduce shipping costs.
- Implement Lean Manufacturing process to enhance capacity utilization, efficiency, quality.
- Introduce comprehensive "cost of quality" initiative to ensure effective and robust processes.
- Implement "automated cell module assembly" to assemble purchased "individual" battery cells into a "module" for the battery pack. This will enable lower inventory from simplified SKU count and lower costs.

○ **Business expansion to accelerate gross margin**

- Leverage current high-profile "proven customer relationships" to respond to growing demand of large fleets for lithium-ion value proposition.
- Pursue new markets that can leverage our technology and manufacturing capabilities.
- Expand features of our popular "SkyBMS" (telemetry) which provides customized fleet management, and real time reports.
- Expand our manufacturing and service capacities to ensure customer satisfaction from increased deliveries, and service.
- Capitalize on our leadership position with new offerings.
- While we are "agnostic to the type of lithium chemistry," ensure our research to support other chemistries as they may become available. Ensure we have leadership with our core technology, without dependence on purchasing critical technology.

There can be no assurance that these initiatives and efforts will be successful.

Recent Corporate Developments

Amendment to Revolving Line of Credit with Silicon Valley Bank

On January 10, 2023, we entered into a Fourth Amendment to Loan and Security Agreement (the "Fourth Amendment") with Silicon Valley Bank ("SVB"), which amended certain terms of the Loan and Security Agreement dated November 9, 2020, as amended on October 29, 2021, as further amended on June 23, 2022, and as further amended on November 7, 2022 (together with the Fourth Amendment, the "Agreement"), including but not limited to, (i) increasing the amount of the revolving line of credit from $8.0 million to $14.0 million, (ii) removing the liquidity ratio financial covenant of the Company under Section 6.9 of the Agreement, (iii) amending the definition of Borrowing Base (as defined in the Fourth Amendment), which includes a new defined term for Net Orderly Liquidation Value (as defined in the Fourth Amendment), and (iv) removing certain defined liquidity terms under Section 13.1 of the Agreement. Pursuant to the Fourth Amendment, we paid SVB a non-refundable amendment fee of $10,000 and SVB's legal fees and expenses incurred in connection with the Fourth Amendment. We have used the SVB Credit Facility to fund our operations and working capital requirements. As of December 31, 2022, the outstanding balance under the Revolving LOC was approximately $6.8 million. As noted above, on January 10, 2023, the SVB Credit Facility was increased by $6.0 million.to $14.0 million and as of February 6, 2023, $5.7 million remaining balance for future draws through May 7, 2023, unless the credit facility is renewed and its term is extended prior to its expiration. (See Note 9 – Subsequent Events)

Segment and Related Information

We operate as a single reportable segment.

Results of Operations and Financial Condition

The following table represents our unaudited condensed consolidated statement of operations for the three months ended December 31, 2022 and December 31, 2021.

	Three Months Ended December 31,			
	2022		2021	
	$	% of Revenues	$	% of Revenues
Revenues	$ 17,158,000	100%	$ 7,690,000	100%
Cost of sales	13,050,000	76%	6,648,000	86%
Gross profit	4,108,000	24%	1,042,000	14%
Operating expenses:				
Selling and administrative	4,250,000	25%	4,000,000	53%
Research and development	1,162,000	7%	2,088,000	27%
Total operating expenses	5,412,000	32%	6,088,000	80%
Operating loss	(1,304,000)	-8%	(5,046,000)	-66%
Other income	8,000	0%	-	0%
Interest expense, net	(385,000)	-2%	(31,000)	-0%
Net loss	$ (1,681,000)	-10%	$ (5,077,000)	-66%

Revenues

Revenues for the quarter ended December 31, 2022, increased by $9,468,000 or 123% to $17,158,000, compared to $7,690,000 for the quarter ended December 31, 2021. The increase in revenues was due to sales of energy storage solutions with higher average selling prices and a higher volume of units sold. The increase in revenues included both greater sales to existing customers as well as initial sales to new customers.

Cost of Sales

Cost of sales for the quarter ended December 31, 2022, increased by $6,402,000, or 96%, to $13,050,000 compared to $6,648,000 for the quarter ended December 31, 2021. The increase in cost of sales was directly associated with higher sales of energy storage solutions, as well as increased costs of steel, electronic parts, and common off the shelf parts chiefly as a result of the supply chain interruptions. Cost of sales as a percent of revenues for the quarter ended December 31, 2022 was 76%, an improvement of 10 percentage points compared to 86% for the quarter ended December 31, 2021.

Gross Profit

Gross profit for the quarter ended December 31, 2022 increased by $3,066,000 or 294%, to $4,108,000 compared to $1,042,000 for the quarter ended December 31, 2021. The gross profit margin (gross profit as a percent of revenues) increased to 24% for the quarter ended December 31, 2022 compared to 14% for the quarter ended December 31, 2021. Gross profit improved by 10 percentage points as a result of higher volume of units sold with greater gross margin and lower cost of sales as a result of the gross margin improvement initiatives.

Selling and Administrative Expenses

Selling and administrative expenses for the quarter ended December 31, 2022 increased by $250,000 or 6%, to $4,250,000 compared to $4,000,000 for the quarter ended December 31, 2021. The increase was primarily attributable to increases in marketing expenses, commissions, insurance premiums, depreciation, recruiting costs, and outbound shipping costs, partially offset by decreases in bad debt expenses, stock-based compensation, and professional service fees.

Research and Development Expense

Research and development expenses for the quarter ended December 31, 2022 decreased by $926,000 or 44%, to $1,162,000 compared to $2,088,000 for the quarter ended December 31, 2021. Such expenses consisted primarily of materials, supplies, salaries and personnel related expenses, product testing, consulting, and other expenses associated with revisions to existing product designs and new product development. The decrease in research and development expenses was primarily due to lower staff related expenses and expenses related to development of new products.

Interest Expense

Interest expense for the quarter ended December 31, 2022 increased by $354,000 to $385,000 compared to $31,000 for the quarter ended December 31, 2021. The increase in interest expense was primarily related to higher balances outstanding under our SVB Credit Facility as well as higher interest rate. Also included in interest expense during quarter ended December 31, 2022 was additional interest expense of approximately $197,000 representing the amortization of debt issuance costs related to our existing lines of credit.

Net Loss

Net loss for the quarter ended December 31, 2022 decreased by $3,396,000 or 67%, to $1,681,000 as compared to $5,077,000 for the quarter ended December 31, 2021. The lower net loss for the three months ended December 31, 2022 was primarily attributable to increased gross profit, and decreased operating expenses, partially offset by increased interest expense.

The following table represents our unaudited condensed consolidated statement of operations for the six months ended December 31, 2022 and December 31, 2021.

	Six Months Ended December 31,			
	2022		2021	
	$	% of Revenues	$	% of Revenues
Revenues	$ 34,998,000	100%	$ 13,961,000	100%
Cost of sales	26,942,000	77%	11,581,000	83%
Gross profit	8,056,000	23%	2,380,000	17%
Operating expenses:				
Selling and administrative	8,786,000	25%	7,498,000	54%
Research and development	2,385,000	7%	4,055,000	29%
Total operating expenses	11,171,000	32%	11,553,000	83%
Operating loss	(3,115,000)	-9%	(9,173,000)	-66%
Other income	8,000	0%	-	0%
Interest expense, net	(713,000)	-2%	(34,000)	-0%
Net loss	$ (3,820,000)	-11%	$ (9,207,000)	-66%

Revenues

Revenues for the six months ended December 31, 2022, increased by $21,037,000 or 151% to $34,998,000, compared to $13,961,000 for the six months ended December 31, 2021. The increase in revenues was due to sales of energy storage solutions with higher average selling prices and a higher volume of units sold. The increase in revenues included both greater sales to existing customers as well as initial sales to new customers.

Cost of Sales

Cost of sales for the six months ended December 31, 2022, increased by $15,361,000, or 133%, to $26,942,000 compared to $11,581,000 for the six months ended December 31, 2021. The increase in cost of sales was directly associated with higher sales of energy storage solutions, as well as increased costs of steel, electronic parts, and common off the shelf parts chiefly as a result of the supply chain interruptions. Cost of sales as a percent of revenues for the six months ended December 31, 2022 was 77%, an improvement of 6 percentage points compared to 83% for the six months ended December 31, 2021.

Gross Profit

Gross profit for the six months ended December 31, 2022 increased by $5,676,000 or 238%, to $8,056,000 compared to $2,380,000 for the six months ended December 31, 2021. The gross profit margin (gross profit as a percent of revenues) increased to 23% for the six months ended December 31, 2022 compared to 17% for the six months ended December 31, 2021. Gross profit improved by 6 percentage points as a result of higher volume of units sold with greater gross margin and lower cost of sales as a result of the gross margin improvement initiatives.

Selling and Administrative Expenses

Selling and administrative expenses for the six months ended December 31, 2022 increased by $1,288,000 or 17%, to $8,786,000 compared to $7,498,000 for the six months ended December 31, 2021. The increase was primarily attributable to increases in personnel expenses related to new hires and temporary labor, severance expenses incurred, and recruiting costs, and increases in depreciation expense, outbound shipping costs, insurance premiums, commissions, travel expenses, marketing expenses, and facilities related costs, partially offset by decreases in bad debt expenses, and stock-based compensation.

Research and Development Expense

Research and development expenses for the six months ended December 31, 2022 decreased by $1,670,000 or 41%, to $2,385,000 compared to $4,055,000 for the six months ended December 31, 2021. Such expenses consisted primarily of materials, supplies, salaries and personnel related expenses, product testing, consulting, and other expenses associated with revisions to existing product designs and new product development. The decrease in research and development expenses was primarily due to lower staff related expenses and expenses related to development of new products.

Interest Expense

Interest expense for the six months ended December 31, 2022 increased by $679,000 to $713,000 compared to $34,000 for the six months ended December 31, 2021. The increase in interest expense was primarily related to higher balances outstanding under our SVB Credit Facility as well as higher interest rate. Also included in interest expense during the six months ended December 31, 2022 was additional interest expense of approximately $426,000 representing the amortization of debt issuance costs related to our existing lines of credit.

Net Loss

Net loss for the six months ended December 31, 2022 decreased by $5,387,000 or 59%, to $3,820,000 as compared to $9,207,000 for the six months ended December 31, 2021. The lower net loss for the six months ended December 31, 2022 was primarily attributable to increased gross profit, and decreased operating expenses, partially offset by increased interest expense.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA is calculated by taking net income and adding back the expenses related to interest, income taxes, depreciation, amortization, and stock-based compensation, each of which has been calculated in accordance with GAAP. Adjusted EBITDA was a loss of approximately $2,432,000 for the six months ended December 31, 2022 compared to a loss of $8,465,000 for the six months ended December 31, 2021.

Management believes that Adjusted EBITDA, when viewed with our results under GAAP and the accompanying reconciliations, provides useful information about our period-over-period results. Adjusted EBITDA is presented because management believes it provides additional information with respect to the performance of our fundamental business activities and is also frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies. We also rely on Adjusted EBITDA as a primary measure to review and assess the operating performance of our company and our management team.

As Adjusted EBITDA is a non-GAAP financial measure, it should not be construed as a substitute for EBITDA and net income (loss) (as determined in accordance with GAAP) for the purpose of analyzing our operating performance or financial position.

A reconciliation of our Adjusted EBITDA to net loss is included in the table below:

	Six Months Ended December 31,	
	2022	**2021**
Net loss	$ (3,820,000)	$ (9,207,000)
Add/Subtract:		
Interest, net	713,000	34,000
Income tax provision	-	-
Depreciation and amortization	371,000	259,000
EBITDA	(2,736,000)	(8,914,000)
Add/Subtract:		
Stock-based compensation	304,000	449,000
Adjusted EBITDA	$ (2,432,000)	$ (8,465,000)

Liquidity and Capital Resources

Overview

For the six months ended December 31, 2022 and the year ended June 30, 2022, we generated negative cash flows from operations of $1.9 million and $23.9 million, respectively. To date our business has not generated sufficient cash to fund our operations. However, we believe that based on our ability to recognize revenue from our existing backlog, we anticipate increased revenues as well as planned improvements in our gross margin over the next twelve (12) months. Our planned gross margin improvement tasks continue to include, but is not limited to, a plan to drive bill of material costs down while increasing price of our products for new orders. We have received new orders during the twelve (12) months period ended December 31, 2022, of approximately $62.4 million.

As of February 6, 2023, we believe that our existing cash of $964,000, together with $5.7 million remaining balance under our $14.0 million revolving line of credit with Silicon Valley Bank ("SVB Credit Facility"), and $4.0 million available under the Subordinated LOC, along with the forecasted gross margin will be sufficient to meet our anticipated capital resources to fund planned operations for the next twelve (12) months. See "Future Liquidity Needs" below

Cash Flows

Cash Flow Summary

	Six Months Ended December 31,	
	2022	**2021**
Net cash used in operating activities	$ (1,892,000)	$ (15,401,000)
Net cash used in investing activities	(336,000)	(530,000)
Net cash provided by financing activities	1,900,000	19,073,000
Net change in cash	$ (328,000)	$ 3,142,000

Operating Activities

Net cash used in operating activities was $1,892,000 for the six months ended December 31, 2022, compared to net cash used in operating activities of $15,401,000 for the six months ended December 31, 2021. The primary usages of cash for the six months ended December 31, 2022 were the net loss of $3,820,000 and increases in accounts receivable, inventory, and other assets, and decreases in deferred revenue, customer deposits and office lease payable, that were partially offset by non-cash operating costs, and increases in accounts payable and accrued expenses. The primary usages of cash for the six months ended December 31, 2021 were the net loss of $9,207,000, increases in inventory, and other assets, partially offset by non-cash operating costs, and a decrease in accounts receivable and an increase in accounts payable.

Investing Activities

Net cash used in investing activities was $336,000 for the six months ended December 31, 2022 and consisted primarily of the costs of internal software development and other capital equipment.

Net cash used in investing activities was $530,000 for the six months ended December 31, 2021 and consisted primarily of the costs of internal software development and purchase of furniture and equipment and warehouse equipment.

Financing Activities

Net cash provided by financing activities was $1,900,000 for the six months ended December 31, 2022, mainly representing net borrowings under the SVB Credit Facility during six months ended December 31, 2022.

Net cash provided by financing activities was $19,073,000 for the six months ended December 31, 2021, which primarily consisted of $13,971,000 in net proceeds from issuances of common stock in the registered direct offering closed on September 27, 2021, $3,500,000 in borrowing under the working capital line of credit, and $1,602,000 in net proceeds from sales of common stock under our ATM offering.

Future Liquidity Needs

We have evaluated our expected cash requirements over the next twelve (12) months, which include, but are not limited to, investments in additional sales and marketing and research and development, capital expenditures, and working capital requirements. As of February 6, 2023, we believe that our existing cash of $964,000, cash from our future operations, and additional funding of up to $5.7 million remaining balance under our SVB Credit Facility, combined with funds available to us under our Subordinated LOC of up to $4.0 million, along with the forecasted gross margin will be sufficient to meet our anticipated capital resources to fund planned operations for at least the next twelve (12) months. As of February 6, 2023, $5.7 million remained available under our ATM offering that may be utilized if necessary subject to the volume of trading and price of our stock and market conditions. In addition, to support our operations and anticipated growth, we intend to continue our efforts to secure additional capital from a variety of current and new sources including, but not limited to, sales of our equity securities. We also continue to execute our cost reduction, sourcing, pricing recovery initiatives in efforts to increase our gross margins and improve cash flow from operations.

Although management believes that our existing cash and the additional funding sources currently available to us under the lines of credit are sufficient to fund planned operations for the next twelve (12) months, this is dependent our ability to successfully maintain and draw on our credit facilities. Our ability to draw funds from the SVB Credit Facility are subject to certain restrictions and covenants. If we are unable to meet the conditions provided in the loan documents, the funds will not be available to us. In addition, should there be any delays in the receipts of key component parts, due in part to supply change disruptions, our ability to fulfil the backlog of sales orders will be negatively impacted resulting in lower availability of cash resources from operations. In that event, we may be required to raise additional funds by issuing equity or convertible debt securities. If such funds are not available when required, management will be required to curtail investments in additional sales and marketing and product development, which may have a material adverse effect on future cash flows and results of operations. In addition, any, unforeseen factors in the general economy beyond management's control could potentially have negative impact on the planned gross margin improvement plan.

In the event we are required to obtain additional funds, there is no guarantee that additional funds will be available on a timely basis or on acceptable terms. To the extent that we raise additional funds by issuing equity or convertible debt securities, our stockholders may experience additional dilution and such financing may involve restrictive covenants.

Critical Accounting Policies

The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. Information with respect to our critical accounting policies which we believe could have the most significant effect on our reported results and require subjective or complex judgments by management is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 filed with the SEC on September 28, 2022.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, as of the end of the period covered by this report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Act of 1934. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be included in our SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, relating to the Company, including our consolidated subsidiaries, and was made known to them by others within those entities, particularly during the period when this report was being prepared. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2022.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in the Company's 10-K for the fiscal year ended June 30, 2022, management assessed the effectiveness of the Company's internal control over financial reporting and based on such assessment, management concluded that as of June 30, 2022, our internal control over financial reporting was not effective due to material weakness related to ineffective oversight of the Company's internal control over financial reporting and lack of sufficient review and approval of the underlying data used in the calculation of warranty reserve. During the six months ended December 31, 2022, we have implemented additional control procedures to strengthen the oversight of the Company's internal control over financial reporting through review and sign off by the senior management of all significant assumptions and estimates being used and the underlying data used in producing financial schedules/estimates and financial reporting. We have also added a second level of review and approval for all manual journal entries for significant estimates and assumptions made by management. Based on the foregoing, we believe we have remediated the material weaknesses. We plan to continue to assess our internal controls and control procedures and intend to take further action as necessary or appropriate to address any other matters we identify or are brought to our attention.

Changes in Internal Control Over Financial Reporting

Except as discussed above, there have been no changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. To the best knowledge of management, there are no material legal proceedings pending against the Company.

ITEM 1A - RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks set forth in the section captioned “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022, filed with the SEC on September 28, 2022, before making an investment decision. If any of the risks actually occur, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should read the section captioned “Special Note Regarding Forward Looking Statements” above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

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

None.

ITEM 6 - EXHIBITS

The following exhibits are filed as part of this Report.

Exhibit No.	Description
10.1	Fourth Amendment to Loan and Security Agreement, dated January 10, 2023(1)
31.1	Certifications of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act.*
31.2	Certifications of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act.*
32.1	Certifications of the Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act.*
32.2	Certifications of the Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act.*
101.INS	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File, formatted in Inline XBRL (included as Exhibit 101)

* Filed herewith

(1) Incorporated by reference to Current Report on Form 8-K filed with the SEC on January 13, 2023.

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.

Flux Power Holdings, Inc.

Date: February 9, 2023

By: */s/ Ronald F. Dutt*

Ronald F. Dutt
Chief Executive Officer
(Principal Executive Officer)

By: */s/ Charles A. Scheiwe*

Charles A. Scheiwe
Chief Financial Officer
(*Principal Financial Officer*)

Exhibit 31.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302

I, Ronald F. Dutt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Flux Power Holdings, Inc.

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 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: February 9, 2023

By: */s/ Ronald F. Dutt*
Name: Ronald F. Dutt
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302

I, Charles A. Scheiwe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Flux Power Holdings, Inc.

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 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: February 9, 2023

By: *[/s/ Charles A. Scheiwe]*
Name: Charles A. Scheiwe
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Flux Power Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The 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 Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: February 9, 2023

By: */s/ Ronald F. Dutt*
Name: Ronald F. Dutt
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Flux Power Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The 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 Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: February 9, 2023

By: */s/ Charles A. Scheiwe*
Name: Charles A. Scheiwe
Title: Chief Financial Officer
(Principal Financial Officer)