Ensurge Micropower ASA

2022

Annual Report and Financial Statements

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MICROPOWER

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About Ensurge Micropower

Ensurge is Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond. Ensurge's innovative solid-state lithium battery (SSLB) technology is uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable microbatteries for diverse applications. The company's state-of-the-art flexible electronics manufacturing facility, located in the heart of Silicon Valley, combines patented process technology and materials innovation with the scale of roll-to-roll production methods to bring the advantages of SSLB technology to established and expanding markets. Ensurge Micropower ASA ("Ensurge") is a publicly listed company in Norway with corporate headquarters in Oslo and global headquarters in San Jose, California.

Report from the Board of Directors

Introduction

Ensurge continued to make progress in 2022 building high performance solid state microbatteries using our novel and proprietary architecture within our roll-to-roll (R2R) facility in San Jose. Ensurge signed several agreements with strategic partners, engaged with multiple customers and signed its first production order with a medical wearables company in December 2022.

The combination of our anode-less solid-state chemistry and ultra-thin stainless steel with significantly higher capacity uniquely positions Ensurge to provide commercial quantities of milliamp-hour class batteries that will provide far superior solutions for our target markets.

At the TechBlick conference in February 2023, Arvind Kamath, Ensurge´s EVP Technology Development, for the first time presented to the public the performance of the Ensurge Micropower core battery cells. Key performance metrics, compared to existing Li-Ion button cells, are twice the energy density, three times the number of charging cycles, double charging speed and flexible form factor. On top of that, solid-state enables far better safety. The Ensurge Micropower platform is thus designed to deliver the fundamental advantages of steel-substrate solid-state lithium battery (SSLB) technology across a range of products that can be rapidly and efficiently customized to meet the unique capacity and form factor needs of specific customer designs.

During 2022 Ensurge launched its twin go to market strategy focusing on working with both strategic partners and commercial customers.

As strategic partners Ensurge is focusing on Fortune 500 companies that are in need of our microbatteries to keep their competitive edge. We believe Ensurge brings essential battery insight and solutions to these players, and this has been confirmed by our strategic partners as well. Ensurge will continue to work closely with these players and expect the relationships to be broadened during 2023. The collaboration with these strategic players will move in stages, and the first stage — providing engineering samples and testing of those samples by specific partners — is now behind us. Our battery performance has been confirmed. Now we expect to move into the second phase: testing production ready batteries and starting to discuss use cases for our battery. The second stage will involve payment from our strategic partners for use of our IP and engineering capabilities.

The strategic players are representing a large market potential for Ensurge — too large to be handled in our current manufacturing facility. We are therefore considering alternative manufacturing locations and business models with our largest strategic partners.

Ensurge continued to focus on commercial customers, and received its first purchase order with a medical wearables company. This represents a significant milestone for the company, showing that Ensurge is moving from the R&D and engineering phase to the commercialization phase.

We have a pipeline of more than 20 identified customers, and have continued to work closely with these customers. Our focus is now to move them from the pipeline to manufacturing. We will prioritize customers that make up-front payment. The overall pipeline represents a larger volume of batteries than we can manufacture at the same time so customers not making advance payments will wait longer to receive their batteries.

To protect our IP, Ensurge filed several provisional patent applications for our solid-state lithium battery technology in 2022. These patent filings represent innovations developed over a two-year period addressing some of the microbattery industry's most difficult engineering and manufacturing challenges including dense cell architecture, ultrathin packaging, and assembly integration. Ensurge's provisional patent applications support the company's four pillars of microbattery innovation: an ultrathin 10µm steel substrate; semiconductor concepts applied to stacking and packaging; anodeless solid-state lithium chemistry; and the use of an existing and proven roll-to-roll manufacturing facility.

At the end of 2022, the Company had 37 full-time employees, all of whom were based in the Company's San Jose, California facility.

Mark Newman took the position as interim CEO in February 2023, replacing Kevin Barber who held the position since 2018. Mark is founder and CEO of Electric Revolution Ventures, and is a renowned expert, advisor and investor in batteries, semiconductors, and electric vehicles. Mark was the top ranked analyst and lead author of Bernstein's all time most read research globally, "Electric Revolution" and "Battery Bible", and is a frequent speaker and commentator on these topics. He spent over a decade as Managing Director and Senior Analyst covering technology at Bernstein, where he spearheaded the Electric Revolution thematic research covering batteries, semiconductors, and the entire electric vehicle value chain.

Going concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption.

On 14 March 2023 the EGM approved a private placement totaling 500,000,000 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 50 million.

As of the date of this report, the company has sufficient cash to fund operations until June 2023.

To continue to fund the Company's activities beyond June 2023, the Company will seek additional funds from the investor market and from partnership funding. However, as funding is not secured for the next 12 months, a material uncertainty exist as to whether the Company and group will continue as going concern. The Company and group are dependent to successfully raise funds as planned.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the group, the board of directors has undertaken the following initiatives: -

- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitments; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources.

As a consequence of uncertainty introduced by the Covid-19 pandemic, the Company has prioritized raising sufficient funds to provide adequate time to demonstrate a series of technology and market development milestones. Despite the material uncertainty to whether the group will be able to successfully raise funds as planned, the Board has concluded that the Company are not in a situation where there is no realistic alternative to continue as going concern and hence it is found appropriate to prepare the financial statements on the going concern basis.

The Transparency Act

Ensurge Micropower ASA carries out due diligence assessments in accordance with the requirements of the Transparency Act, and it is referred to statement that will be published on our website (ensurge.com) no later than by 30 June 2023.

The group financial statements

Ensurge's revenue and other income amounted to USD 0 in 2022 and 2021. The Company restructured its business operations around the priorities of achieving technical success in SSLB development and deploying a financial model that is optimized to support the Company's critical technical and market development milestones.

Salaries and other payroll costs amounted to USD 12,186 thousand in 2022, compared to USD 12,240 thousand in 2021. Operating costs (excluding depreciation, amortization and impairment charges) amounted to USD 19,978 thousand during 2022 (2021: 19,530 thousand). The increase in operating costs in 2022, compared to 2021, was USD 447 thousand, and was primarily attributable to:

1 USD 1,620 thousand higher payroll.

2 USD 1,674 thousand lower employee share based remuneration costs. The fair value of granted employee subscription rights are valued based on the Black-Scholes formula and expensed over the vesting period.

3 USD 701 thousand higher costs for premises and supplies.

4 USD 199 thousand lower other expense.

The Company focused R&D efforts towards achieving technical success in solid-state lithium battery technology development. During 2022, R&D spending was USD 3,029 thousand compared to USD 2,976 thousand for 2021. Depreciation and amortization charges in 2022 amounted to USD 402 thousand, compared to USD 47 thousand during the same period in 2021.

Due to the change in strategy, the production-related assets were fully impaired in 2019. In the event of a future change in circumstances, e.g. a change in strategy or market prospects, impairments may be reversed in part or in full, if a higher asset value can be defended.

Net financial items for 2022 amounted to an expense of USD 2,988 thousand (2021: USD 11,386 thousand expense). Net financial items in 2022 were primarily interest expense of USD 3,728 thousand. Net financial items of USD 8,800 thousand in 2021 related to the issuance of Warrants A, B and C which expired in 2021. The Company operates at a loss and there is a tax loss carryforward position in the parent company and in the U.S. subsidiaries. The parent company in Norway has not incurred any tax during 2022, nor in 2021. The U.S. subsidiary incurred USD 32 thousand in taxes in 2021 as a result of U.S. tax law changes regarding tax loss carryforwards.

The Company has not recognized any deferred tax assets on its balance sheet relating to these tax loss carryforward positions, as this potential asset does not yet qualify for inclusion.

The loss in 2022 was USD 23,369 thousand, corresponding to a basic loss per share of (USD 0.11). In 2021, the loss amounted to USD 30,995 thousand, corresponding to a basic loss per share of (USD 0.16).

Non-current assets amounted to USD 2,743 thousand (31 December 2021: USD 2,606 thousand). The increase in noncurrent assets from 2021 to 2022 was mainly due to investment in fixed assets. Trade and other receivables amounted to USD 868 thousand at the end of 2022 (31 December 2021: USD 915 thousand). Non-current liabilities amounted to USD 16,209 thousand in 2022 (2021: 16,751 thousand) and relates to future lease payments for the Junction Avenue premises and long-term debt relating to an equipment term loan facility with Utica. The equity ratio was negative 189 percent at the end of 2022, versus negative 120 percent at the end of 2021.

The group's cash balance decreased by USD 1,890 thousand in 2022 (2021: increased by USD 1,063 thousand). The net decrease in cash balance is explained by the following principal elements:

1 USD 16,414 thousand outflow from operating activities,

2 USD 486 thousand outflow from investing activities,

3 USD 15,010 thousand inflow from financing activities.

The USD 16,414 thousand outflow from operating activities is primarily explained by an operating loss, excluding depreciation and amortization expense, of USD 22,966 thousand. The cash outflow from operations and investing activities in 2022 was offset by the inflow from financing activities, primarily attributable to the USD 17,098 thousand raised from private placements. The cash balance on 31 December 2022 was USD 4,963 thousand, as compared to the cash balance on 31 December 2021 of USD 6,853 thousand.

Parent company financial statements

Revenue and other income in the Parent Company amounted to NOK 0 thousand in 2022 and 2021.

Personnel and payroll costs were NOK 21,135 thousand in 2022, versus NOK 26,010 thousand in the preceding year. As of 31 December 2022, only the CEO was employed by the Parent Company. The Parent Company employed, on average, one full-time employee during 2022 and 2021.

External purchases of services amounted to NOK 11,376 thousand in 2022 (2021: NOK 10,476 thousand). Of the total amount for 2022, (i) NOK 7,029 thousand related to legal, audit and accounting services (2021: NOK 7,231 thousand), (ii) NOK 2,112 thousand was tied to advisory services, technology support services and recruitment services (2021: NOK 1,298 thousand and (iii) NOK 2,235 thousand related to remuneration of the Board of Directors (2021: NOK 1,947 thousand).

Purchase of services from subsidiaries increased to NOK 264,639 thousand in 2022 from NOK 143,118 thousand in 2021, largely as a result of the increase in personnel costs. Other operating expenses decreased from NOK 41,571 thousand in 2021 to income of NOK 34,941 thousand in 2022. The change is due to the reversal of a provision against the intercompany receivable recorded in 2021. Capitalized development costs amounted to NOK 0 thousand in 2022 and 2021. The Company did not capitalize any development costs in 2022 and 2021 as technical feasibility had not yet been achieved. However, the company can consider capitalizing development costs in the future.

Net financial items amounted to income of NOK 9,058 thousand in 2022, compared to expense of NOK 17,740 thousand in 2021. The change from 2021 is mainly due to the change in fair value of the derivative debt of NOK 12,688 offset by impairment of intercompany investments of NOK 15,835 thousand in 2022.

Share capital

Ensurge shares were listed on Oslo Axess from 30 January 2008 until 26 February 2015. On 27 February 2015, Ensurge shares were transferred to Oslo Børs (OSE Main List). On 24 March 2015, Ensurge's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International.

At the end of 2022, there were 244,228,498 (2021: 194,055,317) shares in the Company which were held by 11,082 shareholders (2021: 11,801 shareholders). Par value at 31 December 2022 was NOK 0.99 per share. On 14 March 2023, the EGM approved a reduction in par value to NOK 0.10 per share.

The closing price of Ensurge shares on 30 December 2022 was NOK 1.8956. The total share turnover during 2022 amounted to NOK 696 million compared to NOK 81 million in 2021, an increase of approximately 759 percent.

There were two exercises of vested incentive subscription rights during 2022. There were no subscription rights exercised in 2021.

The board of directors resolved on 27 January 2022 to issue in total 116,673 (as adjusted for the 9:1 share consolidation in March 2022) ordinary shares at a subscription price of NOK 2.97 per share to a former employee who has exercised incentive subscription rights granted under the 2020 incentive subscription rights plan.

The board of directors resolved on 13 June 2022 to issue in total 621,325 shares with an exercise price of NOK 1.35 per share to a former board member who has exercised incentive subscription rights granted in accordance with the 19 August 2020 resolution by the EGM.

On 3 February 2022, the Company announced the completion of a private placement of 13,951,267 shares (Tranche 1) (as adjusted for the 9:1 share consolidation in March 2022) and an allocation of 4,567,252 shares (Tranche 2) (as adjusted for the 9:1 share consolidation in March 2022) at a subscription price of NOK 5.40 per share, resulting in gross proceeds of NOK 100 million.

On 24 February 2022, at an EGM, shareholders approved an increase to the authorized share capital to include the shares allocated in Tranche 2, the warrants associated with Tranche 1 and Tranche 2, and a 9:1 share consolidation.

Following completion of the 9:1 share consolidations, the composition of Ensurge's share capital was changed from 1,914,214,572 shares, each having a par value of NOK 0.11, to 212,690,508 shares, each having a par value of NOK 0.99. The registration date of the share consolidation was 11 March 2022.

The private placement included two non-tradeable warrants for every share subscribed for in the private placement at no additional cost and with an exercise price equal to NOK 5.40. 50% of the private placement warrants expired on 30 June 2022 and the remaining 50% expired on 30 November 2022. No warrants were exercised.

On 24 July 2022, the Company announced that it secured funding totaling NOK 57 million. Of this amount, NOK 46.7 million represents commitments to subscribe for convertible loans, the balance of NOK 10.3 million for 3,416,666 shares via a private placement. The convertible loans were approved at the EGM held 17 August 2022. The board of directors had an authorization from the AGM held 25 May 2022 to complete the private placement. The convertible loans are repayable 17 August 2023 and the lenders are entitled at any time after 17 February 2023 to convert the loans into shares in the Company at a conversion price of NOK 3.00. The convertible loans carry interest at the rate of 5% per annum.

On 8 November 2022, the Company announced funding of approximately NOK 55 million in a private placement, split into 2 tranches. The first tranche, completed on 8 November 2022, totals 18,256,183 shares at NOK 2.00 per share. The Ensurge board of directors approved Tranche 1 of the private placement. The shares allocated to Tranche 2 total 9,243,817 at NOK 2.00 per share. Tranche 2 was approved by an EGM of the Company on 1 December 2022 and was completed 12 December 2022.

On 14 March 2023 the EGM approved a private placement totaling 500,000,000 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 50 million. On 14 March 2023, the EGM approved a reduction in par value from NOK 0.99 to NOK 0.10 per share.

Pursuant to Section 3-5 of the PLCA, the Board is obligated to act on loss of equity in the Company and shall propose to the general meeting measures to restore the equity and give a statement on the Company's financial position to the shareholders. The Company is seeking additional funds from the investor market and/or from partnership funding.

However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns. The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. Refer to the Principal Risks and Going Concern sections of this Annual Report.

Additional information is included in Note 12 to the Consolidated Financial Statements.

No subscription rights have been granted, none exercised, and 2,583,846 forfeited and expired to date in 2023. Consequently, the total number of subscription rights on 27 April 2023 is 18,555,618.

Principal risks

Ensurge is exposed to various risks of a financial and operational nature.

The Company's predominant risks are financial, technical/developmental, as well as other market and business risks, summarized in the following points:

I The Company's restructuring and refocus on microbattery technology has resulted in headcount and expenses in line with the Company's revised SSLB strategy and operating plan. As of 31 December 2022, the Company had a cash balance of approximately USD 5.0 million, including restricted cash of approximately USD 1.6 million. To continue to fund the Company's activities further into 2023, on 14 March 2023 the EGM approved a private placement totaling 500,000,000 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 50 million. The funds are expected to last until June 2023 and the Company will seek additional funds from the investor market and/or from partnership funding. The funding could either be done directly into the US subsidiary or into the Norwegian listed parent company. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns.

II Technology development and engineering sample availability can be adversely affected by several factors including but not limited to:

- Quality, composition, and consistency of lithium-based materials, chemicals and unanticipated interactions of the various layers and processes that are key to core battery performance, resulting in longer than planned learning cycles and corrective actions, delaying customer engagements.
- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance, and defectivity of the device.
- Equipment reliability, modifications needed, and process optimization learning cycle efficiency that may limit the uptime, throughput and quality of the devices produced.
- Issues encountered during handling, processing, and assembly of ultrathin substrates and battery stacks.
- Need for new materials or processes and/or equipment to achieve full manufacturing qualification and product reliability.

The startup and product manufacturing yield ramp on the roll-to-roll line can also be negatively influenced by several of the conditions or events noted below (but not limited to):

- Achievement of return-to-manufacturing readiness and qualification of the tool set.
- On site availability of vendor personnel to assist in requalification of the machines with battery materials set.
- Electro-Static Discharge (ESD) or other phenomena that may cause the need for process or mechanical handling changes in the manufacturing line.
- Lower than anticipated throughputs and uptime of the equipment with the battery material set resulting in a lower capacity than planned.
- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance and defectivity of the device.
- New and unknown modes of yield loss necessitating process, practice, or equipment modifications that can result in a slower than planned yield ramp.
- Issues encountered during roll handling, processing, and assembly of ultrathin substrates and battery stacks.
- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

III Many of the markets that Ensurge targets in connection with its new energy storage strategy will require time in order to gain traction, and there is a potential risk of delays in the timing of sales. Risks and delays may include, but are not limited to:

- Uncertain global economic conditions may adversely impact demand for our products or cause potential customers and other business partners to suffer financial hardship, which could cause delays in market traction and adversely impact our business.
- Our ability to meet our growth targets depends on successful product, marketing, and operations innovation and successful responses to competitive innovation and changing consumer habits that may result in changes in our customers' specifications.
- Our revenues are dependent on the pace of technology evaluation and product qualification activities at our customers, and delays in battery or end-product qualification or changes to production schedules may affect the quantity and timing of purchases from Ensurge. Such customer qualification and customer production scheduling delays are generally outside the control of Ensurge.

The Company cannot assure that the business will be successful or that we will be able to generate significant revenue. If we fail to establish and build relationships with our customers, or our customers' products which utilize our solutions do not gain widespread market acceptance, we may not be able to generate significant revenue.

Our ability to generate significant revenue from new markets will depend on various factors, including the following:

- The development and growth of these markets;
- The ability of our technologies and product solutions to address the needs of these markets, the price and performance requirements of OEMs, and the preferences of end users; and
- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

IV To a certain extent, Ensurge is dependent on continued collaboration with technology, materials, and manufacturing partners.

There may be process and product development risks that arise related to time-to-development and cost competitiveness of the energy storage products Ensurge is developing.

Many manufacturers of these products have well established relationships with competitive suppliers. Our ongoing success in these markets will require us to offer better performance alternatives to other solutions at competitive costs. The failure of any of these target markets to develop as we expect, or our failure to serve these markets to a significant extent, will impede our sales growth and could result in substantially reduced earnings and a restructuring of our operations. We cannot predict the size or growth rate of these markets or the market share we will achieve or maintain in these markets in the future. Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our operating results. The inability to obtain sufficient quantities of components and other materials necessary for the production of our products could result in reduced or delayed sales or lost orders. Extended lead times on custom equipment for R2R due to the current political/economic situation in Europe as well as overall supply issues could impact our ability to scale production in the future.

Many of the materials used in the production of our products are available only from a limited number of foreign suppliers, particularly suppliers located in Asia.

V Our business results depend on our ability to successfully manage ongoing organizational changes. Our financial projections assume successfully executing certain of these organizational changes, including the motivation and retention of key employees and recruitment of qualified personnel, which is critical to our business success.

Factors that may affect our ability to attract and retain talented leadership, key individual contributors, and sufficient numbers of qualified employees include:

- Employee morale,
- Our reputation,
- Competition from other employers, and
- Availability of qualified personnel.

Our success is dependent on identifying, developing, and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key technology areas, where the depth of skilled or experienced employees may be limited and competition for these resources is intense.

VI Ensurge is exposed to certain financial risks related to fluctuation of exchange rates.

Corporate governance

The board considers that attention to corporate governance is beneficial for companies and investors. Ensurge seeks to comply with the Norwegian code of practice for corporate governance to the degree possible. The board's review of corporate governance has been included in the annual report.

Intellectual property

The development and maintenance of intellectual property, including patents, trade secrets, and proprietary knowhow, is a critical part of Ensurge's business strategy. In the course of its research and development activities, the Company develops new intellectual property related to materials, microbattery design, cell fabrication, product packaging, and industrialization. In April and May 2020, the Company announced the filing of multiple provisional patent applications related to the encapsulation, assembly, and stacking of SSLB products based on stainless steel substrates. To protect our IP, Ensurge filed several provisional patent applications for our solid-state lithium battery technology in 2022. These patent filings represent innovations developed over a two-year period addressing some of the microbattery industry's most difficult engineering and manufacturing challenges including dense cell architecture, ultrathin packaging, and assembly integration. Ensurge's provisional patent applications support the company's four pillars of microbattery innovation: an ultrathin 10 µm steel substrate; semiconductor concepts applied to stacking and packaging; anodeless solid-state lithium chemistry; and the use of an existing and proven roll-to-roll manufacturing facility. The Company intends to continue filing patent applications to protect its intellectual property.

Outlook

As Ensurge enters 2023 our customer engagements continue to provide enthusiastic validation that the benefits of our SSLB microbattery products resonate strongly with battery decision-makers across all our target markets; hearables, wearables, and connected sensors. Our total addressable market continues to grow and is forecasted to reach 10 billion units over the next several years. In the near term, the market opportunity remains robust for Ensurge to bring differentiated microbatteries that will fully maximize our existing San Jose facility and will require the Company to consider adding a larger facility over time.

The Company's key efforts during 2023 will be focused on converting current and new customer agreements into ramping product revenue during the latter part of the year. The Company will be broadening customer activities across all our target market segments adding new customers as well as deepening engagements with existing customers. Ensurge is actively engaged with several prospects in the medical wearables and industrial markets.

A major step towards product revenue is the qualification of our technology and products at each customer, providing them confidence to design our differentiated microbatteries into their next generation products. During qualification, work will be focused on designing the optimum microbattery form factor to meet the requirements of our customer's next generation product and assisting our customer's product design and launch into the market.

In parallel to our customer efforts, operational readiness for ramping deliveries will increasingly be the Company's internal focus. Productivity, yield, and performance improvements as well as lowering material costs will all be important efforts to provide predictable and profitable customer deliveries. The Company also anticipates needing to acquire and install incremental equipment capacity to meet customer demand.

Organization, personnel, and the environment

The board of directors would like to thank the Ensurge management team members, staff, contractors, and ecosystem partners for their dedicated efforts throughout 2022.

Organization

Substantially all of Ensurge's operational activities are based in the Company's San Jose, California facility, providing efficient and cost-effective management of the Company's resources and assets. The Company's quality management system is certified under the ISO9001:2015 standard for the development, manufacturing, and sales of solid-state lithium batteries.

Personnel

In March 2023, the company reduced salaries and the number of staff. As of the date of the report, Ensurge employs 28 full-time employees, four part-time employees, and a small number of contractors.

The board believes that the working environment at Ensurge is safe, stimulating, challenging, and collaborative for all employees, and complies fully with relevant laws and regulations in regions within which Ensurge operates. Ensurge employees are covered by benefits programs that are in line with practices in their respective countries. Throughout 2022, there was one minor workplace injury and no significant incidents or accidents involving equipment or other assets. Instances of sick leave during 2022 were relatively low and were consistent with previous years. In addition to the employees of the Ensurge group, Ensurge has contracted specialists in business development, engineering, accounting, and other services.

Ensurge creates and supports equal opportunity for all employees, in all aspects of the workplace. As of 31 December 2022, female employees in the company represented approximately 29%. As of the date of this report, the current management team consists of three men and one woman. Equality is one important aspect considered when recruiting new employees. The board considers the firm's equality standards and measures to be adequate and has not found reason to initiate any corrective measures.

The Environment

Ensurge appreciates its corporate responsibility to protect the environment. The Company operates its business to comply with the environmental, health, and safety regulations required for the materials and processes needed to manufacture its products. Ensurge follows all relevant environmental rules and regulations, as discussed in the Corporate Social Responsibility (CSR) Statement included in this report.

Board of directors

Ensurge's board of directors consists of one woman and two men, the composition of which satisfies the gender requirements of the Norwegian Public Limited Companies Act (PLCA). The board includes Mr. Morten Opstad (chair), Ms. Victoire de Margerie and Mr. Tomas Persson. At the Company's Annual General Meeting (AGM) on 25 May 2022, Mr. Opstad was re-elected to the board for a term of two years. Ms. de Margerie and Mr. Mark Newman were elected to the board for a term of two years. In February 2023, Mr. Newman assumed the role of Interim CEO and temporarily resigned from the board. On 14 March 2023 the EGM elected Mr. Persson to the board for a limited time.

The Company provides D&O Insurance for all directors and officers.

The board of directors of Ensurge Micropower ASA, Oslo, Norway, 27 April 2023

Morten Opstad Chairman	Victoire de Margerie Board Member	Tomas Persson Board Member	Mark Newman Managing Director (Interim CEO)

Ensurge Micropower ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	2022	2021
Sales revenue	17	—	—
Total revenue and other income		—	—
Salaries and other payroll costs	18	(12,186)	(12,240)
Other operating expenses	19,24	(7,792)	(7,291)
Depreciation, amortization and impairment loss	6,7,8	(402)	(47)
Operating profit (loss)		**(20,381)**	**(19,578)**
Interest income		49	1
Other financial income	15	1,300	648
Interest expense		(3,728)	(3,199)
Other financial costs	16	(609)	(8,836)
Net financial items	**20**	**(2,988)**	**(11,386)**
Profit (loss) before income tax		**(23,369)**	**(30,963)**
Income tax expense	21	—	(32)
Profit (loss) for the year		**(23,369)**	**(30,995)**
Profit (loss) per share for profit attributable to the equity holders of the Company during the year			
Basic and diluted, USD per share	23	(USD 0.11)	(USD 0.16)
Profit (loss) for the year		**(23,369)**	**(30,995)**
Other Comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation		—	—
Total comprehensive income for the year		**(23,369)**	**(30,995)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,169	2,032
Other financial receivables		574	574
Total non-current assets		**2,743**	**2,606**
Current assets			
Trade and other receivables	10	868	915
Cash and cash equivalents (i)	11	4,963	6,853
Total current assets		**5,832**	**7,768**
Total assets		**8,575**	**10,374**
EQUITY	12		
Ordinary shares		26,967	21,730
Other paid-in capital		38,016	22,649
Other reserves		31,968	31,968
Currency translation		(13,801)	(13,801)
Retained earnings		(99,396)	(76,027)
Total equity	**26**	**(16,246)**	**(13,481)**
LIABILITIES			
Non-current liabilities			
Long-term debt	14	6,750	5,854
Long-term financial lease liabilities	8	9,459	10,897
Total non-current liabilities		**16,209**	**16,751**
Current liabilities			
Trade and other payables	13	2,511	1,971
Short-term financial lease liabilities	8,14	1,438	1,278
Current portion of long-term debt	14	748	3,855
Derivative & Short-term convertible debt	15	3,915	—
Total current liabilities		**8,612**	**7,104**
Total equity and liabilities		**8,575**	**10,374**

(i) Includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Ensurge Micropower ASA to the landlord of the San Jose, California facility.

The board of directors of Ensurge Micropower ASA, Oslo, Norway, 27 April 2023

Morten Opstad	Victoire de Margerie	Tomas Persson	Mark Newman
Chairman	Board Member	Board Member	Interim CEO

Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Note	Share capital	Other paid-in equity	Other reserves	Currency translation	Retained earnings	Total
Balance at 1 January 2022		**21,730**	**22,649**	**31,968**	**(13,801)**	**(76,027)**	**(13,481)**
Share based compensation		—	3,506	—	—	—	3,506
Private Placement (February, August and December 2022)		5,161	11,812	—	—	—	16,973
Stock Rights Exercise		20	104	—	—	—	124
Comprehensive income		—	—	—	—	(23,369)	(23,369)
Balance at 31 December 2022	**12**	**26,967**	**38,016**	**31,968**	**(13,801)**	**(99,396)**	**(16,246)**
Balance at 1 January 2021		**12,014**	**2,805**	**(2,852)**	**(13,801)**	**(45,032)**	**(46,865)**
Share based compensation		—-	4,388	—	—	—	4,388
Private placement related repair and warrant exercises (approved 20 May and 19 August 2020)		8,819	10,105	34,820	—	—	53,744
Private placement (approved March 2021)		897	5,350	—	—	—	6,248
Comprehensive income		—	—	—	—	(30,995)	(30,995)
Balance at 31 December 2021	**12**	**21,730**	**22,649**	**31,968**	**(13,801)**	**(76,027)**	**(13,481)**

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	2022	2021
Cash flows from operating activities			
Profit (loss) before income tax		(23,369)	(30,963)
- Share-based remuneration	18	3,506	4,933
- Depreciation and amortization	6	402	46
- Changes in working capital and non-cash items		58	50
Net financial items	20	2,988	11,386
Net cash from operating activities		**(16,414)**	**(14,548)**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(557)	(1,839)
Proceeds from sale of fixed assets	6	22	—
Interest received		49	1
Net cash from investing activities		**(486)**	**(1,838)**
Cash flows from financing activities			
Proceeds from issuance of shares	12	17,098	25,172
Proceeds from debt financing	15	4,773	-
Interest paid		(2,320)	(3,199)
Lease installments	8	(4,540)	(4,523)
Net cash from financing activities		**15,010**	**17,450**
Net increase (decrease) in cash and bank deposits		**(1,890)**	**1,063**
Cash and bank deposits at the beginning of the year		6,853	5,790
Cash and bank deposits at the end of the year*		**4,963**	**6,853**

* Including restricted cash. See Note 11.

Notes to the Consolidated Financial Statements

1. Information about the group

"Ensurge Micropower ASA ("Ensurge ASA", "Ensurge" or "the Company") was founded as Thin Film Electronics ASA ("Thinfilm") on 22 December 2005 and was renamed Ensurge Micropower. Reference is made to Note 29 for a description of the subsidiaries consolidated into the parent company Ensurge Micropower ASA. The objectives of the Company shall be the commercialization, research, development and production of technology and products related to solid-state lithium batteries. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners. The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Fridjof Nansens Plass 4, Oslo, Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Ensurge's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International. Ensurge's ADR was moved to OTCQB with effect on 23 June 2020. The Company's shares, listed on Oslo Børs in Norway, trade under the symbol ENSU. The Company's ADRs, listed on OTCQB in the United States, trade under the symbol ENMMD. These group consolidated financial statements were resolved by the board of directors on 27 April 2023.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied. For the purpose of ease of reading, the terms "balance sheet" and "accounting" and variations of these have been used interchangeably with the IFRS terms "statement of financial position" and "recognition".

2.1 Basis of preparation

The annual financial statements have been prepared on a historical cost basis. The financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies adopted are consistent with those of the previous financial year. IFRS is continuously developed and recently published standards, amendments and interpretations have been reviewed and considered. None of the new standards, amendments and interpretations that apply as of 1 January 2022 had any impact on net result or equity of Ensurge in 2022. Reference is made to Note 2.20 for a description of changes in IFRS.

Going concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption.

On 14 March 2023 the EGM approved a private placement totaling 500,000,000 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 50 million.

As of the date of this report, the company has sufficient cash to fund operations until June, 2023.

To continue to fund the Company's activities beyond June 2023, the Company will seek additional funds from the investor market and from partnership funding. However, as funding is not secured for the next 12 months, a material uncertainty exist as to whether the Company and group will continue as going concern. The Company and group are dependent to successfully raise funds as planned.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the group, the board of directors has undertaken the following initiatives:

- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitments; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources.

As a consequence of uncertainty introduced by the Covid-19 pandemic, the Company has prioritized raising sufficient funds to provide adequate time to demonstrate a series of technology and market development milestones. Despite the material uncertainty to whether the group will be able to successfully raise funds as planned, the Board has concluded that the Company are not in a situation where there is no realistic alternative to continue as going concern and hence it is found appropriate to prepare the financial statements on the going concern basis.

2.2 Consolidation

Subsidiaries are all entities over which the group has control. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

2.3 Foreign currency translation

(a) Functional and presentation currency

The consolidated financial statements are presented in US dollar (USD).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The individual financial statements of a subsidiary are prepared in the subsidiary's functional currency. In preparing the consolidated financial statements, the financial statements of foreign operations are translated using the exchange rates at year-end for statement of financial position items and monthly average exchange rates for statement of income items. Translation gains and losses are included in other comprehensive income as a separate component. The translation difference derived from each foreign subsidiary is reversed through the statement of income as part of the gain or loss arising from the divestment or liquidation of such a foreign operation.

2.4 Property, plant and equipment

Property, plant and equipment is mainly comprised of construction in progress on the roll-to-roll line, laboratory test equipment, and office equipment. Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Given the uncertainty related to its cash position and new strategy, the Company's fixed assets were fully impaired at 31 December 2019.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method as follows:

- Laboratory equipment — 5 years
- Office equipment — 3–5 years
- Office furnishings and fittings — up to 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

2.5 Inventory

The Company changed strategy and hence inventory is fully impaired. Historically, inventory, components and components under production were valued at the lower of cost and net realizable value after deduction of obsolescence. Net realizable value is estimated as the selling price less cost of completion and the cost necessary to make the sale. Costs are determined using the standard cost method. The FIFO principle is applied. Work in progress includes variable cost and non-variable cost which can be allocated to items based on normal capacity. Obsolete inventory is written down completely.

2.6 Intangible assets

(a) Patents and licenses

Acquired patents and licenses are stated at historical cost. Patents and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of patents and licenses over their estimated useful lives. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In January 2014, Ensurge acquired an IP portfolio consisting of patents. These assets are initially recognized at fair value and subsequently measured at cost, less accumulated amortisation and impairment losses.

(b) Research and development

Research costs are expensed as they are incurred. An intangible asset arising from development expenditure on an individual project is capitalized only when the group reliably can measure the expenditure and can demonstrate;

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- How the asset will generate future economic benefits
- The group's ability to obtain resources to complete the project

Development costs are amortized over the period of expected use of the asset. See Note 7.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7 Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill are reviewed for possible reversal of any previous impairment at each reporting date.

2.8 Trade receivables and other receivables

Trade receivables and other short-term receivables are measured at initial recognition at fair value and subsequently measured at amortized cost. Short-term receivables, which are due within three months, are normally not discounted. Impairment of receivables is evaluated on a case-by-case basis. The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

2.9 Cash and bank deposits

Cash and bank deposits include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to raising new equity are shown as a deduction to the equity, net of tax.

2.11 Trade payables

The carrying amounts of trade and other payables are the same as their fair values, due to their short-term nature.

2.12 Deferred income tax

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted on the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax liabilities are recognized for taxable temporary differences.

2.13 Employee remuneration

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. The company only holds defined contribution pension plans. Contributions are expensed and paid when earned.

2.14 Revenue recognition

Revenue is recognized at the amount that the Company expects to be entitled to and expects to collect under the contract. If a contract has multiple performance obligations, the transaction price is allocated to each performance obligation identified in the contract on a relative stand-alone selling price basis. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

(a) Sales of goods

Sales of goods were recognized when the performance obligation was satisfied, the costs incurred with respect to the transaction could be measured reliably, and Ensurge retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(b) Rendering of services

The group provides engineering and support services to strategic customers and partners.

2.15 Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and the conditions will be complied with. Grants are recognised as other income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

2.16 Financial liabilities

(a) Borrowings

Borrowings are initially recognized at cost and subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs as well as discount or premium on settlement. Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date.

(b) Leases

All leases are recognized in the balance sheet as a right-of-use ("ROU") asset with a corresponding lease liability, except for short term assets in which the lease term is 12 months or less, or low value assets. ROU assets represent a right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Right-of-use assets are depreciated linearly over the lifetime of the related lease contract. The depreciation of ROU asset is recognized over the lease term, and interest expenses related to the lease liability are classified as financial items in the income statement. Right-of-use assets are tested for impairment in accordance in accordance with IAS 36.

Ensurge determines if an arrangement is a lease at inception. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any lease incentives. The Company's incremental borrowing rate based on the information available at commencement date is used in determining the present value of lease payments. Extension options are included when it, based on management's judgement, is reasonably certain to be exercised. ROU assets are measured at cost and include the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less and low-value assets.

2.17 Share based remuneration and derivatives over own shares

(a) Share based remuneration

Equity-settled share based payments to employees are measured at the fair value of the equity instruments at grant date. The fair value of the instruments is determined using a Black-Scholes option pricing model. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest.

For social security contribution related to equity settled share based payment transactions with employees, a liability is recognized. The liability is initially measured at the fair value of the liability. At the end of each reporting period until the liability is settled, and the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

(b) Derivatives over own shares

The warrants are derivatives over own shares and the exercise price is denominated in Norwegian Kroner (NOK), while the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds received by the Company varied based on foreign exchange rates. Thus, the fixed for fixed criteria in IAS 32.11 is not met. Further, the warrants were not allocated pro rate to all existing owners of the same class of own equity instruments and did not meet the strict criteria for the rights issue exemption in IAS 32.11. Thus, the warrants are classified as derivative liabilities (scoped under IFRS 9) and measured at fair value (in accordance with IFRS 13) in the statement of financial position. Any changes in fair value from period to period were recorded as a non-cash gain or loss in the consolidated statement of net loss/(income) and comprehensive loss/(income). There are no warrants outstanding at 31 December 2022.

The convertible loans are denominated in Norwegian Kroner (NOK); however, the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that were received by the Company were not fixed and varied based on foreign exchange rates. A portion of the loans, the conversion feature, is a derivative required to be recognized and measured at fair value at each reporting period. Any changes in fair value in the convertible loans from period to period is recorded as a non-cash gain or loss in the consolidated statements of comprehensive income, in accordance with IFRS 9. The convertible loans, including accrued interest, are classified as short-term liability at amortized cost. The conversion feature derivative liability is classified as short-term held-for-trading liability. The derivative liability is measured using Black Scholes valuation model.

2.18 Cash flow statement

The cash flow statement is prepared in accordance with the indirect method.

2.19 Segment information

Operating segments, according to IFRS 8, are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance and making strategic decisions, has been identified as the Chief Executive Officer (CEO). Based on Ensurge's current deliveries, performance obligations, customer characteristic and other information, it has been assessed that Ensurge has only one operating segment. Hence, primarily information according to IFRS 8 paragraphs 32–34 is provided.

2.20 Changes in accounting principles

In 2022 new standards and amendments to existing standards have become effective. This is related to the following standards:

- Annual improvements to IFRS Standards 2018–2020 cycle,
- Reference to the conceptual framework (amendments to IFRS 3),
- Onerous contracts – costs of fulfilling a contract (amendments to IAS 37),
- Property, plant and equipment: proceeds before intended use (amendments to IAS 16).

The adoption of these items did not have a significant impact on the financial statements of the Group.

2.21 Approved standards and interpretations not yet in effect

In addition to these standards, the following new and revised IFRSs have been issued but were not mandatory for annual reporting periods ending on 31 December 2022. The Group will assess the potential impact of these new and revised standards in due course.

- IFRS 1, IFRS 9, IFRS 16, IAS 41: Annual Improvements to IFRS Standards 2018–2020
- Amendments to IAS 1 and IFRS Practice Statement 2: Financial Statements: Classification of Liabilities as Current or Non-current, Disclosure of Accounting policies
- Amendment to IAS 8: Definition of Accounting Estimates

- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 17 Insurance contracts and amendments

3. Segment information

Ensurge's business consists of sale of products, services and development of electronic products and related solutions. The CEO has determined that the group has only one operating segment. Consequently, no additional segment information is disclosed. Reference is made to Note 14, 15 and 16 for entity-wide disclosures.

4. Capital management and financial risk

4.1 Capital management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern. The capital structure of the group consists of equity and current and non-current interest-bearing liabilities. The group is not subject to any externally imposed capital requirements apart from the requirements according to national laws and regulations for limited liability companies. In September 2019, the Company's subsidiary, Ensurge Micropower, Inc. closed an equipment term loan facility with Utica Leaseco, LLC ("Utica") for USD 13.2 million secured by select fixed assets (see Note 6). The terms of the Master Lease Agreement and subsequent amendments are detailed in Note 14. The outstanding balance at 31 December 2022 is USD 7.5 million.

The company is working on obtaining additional equity funding. See Note 2.1 Going concern.

4.2 Financial risk factors

Ensurge is exposed to certain financial risks related to exchange rates and interest level. These are, however, insignificant compared to the business risk.

(a) Market risk factors

(i) Currency risk

The Group has the majority of its operations in the USA. As of 31 December 2022, approximately 88% of the Company's cash balance was denominated in USD, in order to mitigate currency risk associated with the increased value of the USD relative to NOK. Management monitors this risk and will take the appropriate actions to address it as the situation requires.

(ii) Interest risk

Ensurge Micropower, Inc., the U.S. operating subsidiary and global headquarters of the Ensurge Micropower Group, closed an equipment term loan facility with Utica Leaseco, LLC for financing of USD 13.2 million, which funded in two tranches during the month of September 2019. The interest rate associated with this debt is fixed, and therefore, does not present the potential risk that would be associated with interest rate fluctuations.

Ensurge Micropower ASA issued convertible loans as part of a private placement announced on 24 July 2022. The convertible loans are repayable 17 August 2023 and the lenders are entitled at any time after 17 February 2023 to convert the loans into shares in the Company at a conversion price of NOK 3.00. The convertible loans carry interest at the rate of 5% per annum.

(b) Credit risk

The company has some credit risks relating to receivables. The loss on receivables has historically been low.

In connection with the relocation of Ensurge's US headquarters in 2017, a USD 1,600 thousand Letter of Credit was issued by Ensurge Micropower ASA to the landlord of the Junction Avenue facility located in San Jose, California. In addition, the Company entered into a Tenancy Guaranty with the landlord as additional security of the rent payments. The initial guaranty liability amounted to USD 5,000 thousand and reduces on an annual basis by USD 500 thousand per year, commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2022, the guaranty liability amounted to USD 2,500 thousand. Apart from that, Ensurge has not issued additional material guarantees.

(c) Liquidity risk

Aside from the equipment term loan facility of USD 13.2 million closed in September 2019, and the convertible loans due August 2023, Ensurge does not have any other material interest-bearing debt. In addition, the company has a continued obligation under a lease agreement signed in November 2016 relating to its U.S. headquarters in San Jose, California.

The Company was able to raise equity financing in 2022 but is not yet cash generative and operates at a loss. There is uncertainty tied to the generation of future cash flow in connection with the Company's new business strategy. As described in Note 2.1 Basis of preparation, the Company is currently pursuing alternative forms of generating cash in order to meet its financial obligations. There is no assurance that the Company will be successful in raising funds. Failure to obtain future funding, when needed or on acceptable terms, would adversely affect its ability to continue as a going concern.

4.3 Fair value estimation

The carrying amounts of trade and other receivables and payables are considered to be the same as their fair values, due to their short-term nature. Accounts payable and accrued liabilities with due date within 12 months have been recognized at carrying value.

4.4 Financial instruments

Ensurge is not party to any transactions or financial instruments which are not recorded in the balance sheet or otherwise disclosed.

5. Critical accounting estimates and judgments

The financial statements of the group have been prepared based on the going concern assumption. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Reference is made to Note 2.1 Going concern. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The estimates and assumptions in the financial statements of the group mainly relate to share based compensation, warrants, deferred tax assets, accounting for research and development, intangible assets, property, plant and equipment and leases.

Share based compensation:

Ensurge estimates the fair value of options at the grant date. As the subscription rights are structured equal to an option, the Black-Scholes option pricing model is used for valuing the share subscription rights. The model uses the following parameters; the exercise price, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares, and the risk-free interest rate for the life of the option. The cost of share based remuneration is expensed over the vesting period. Such estimates are updated at the balance sheet date. Changes in this estimate will impact the expensed cost of share based remuneration in the period. The variables, assumptions and relevant theoretical foundations used in the calculation of the fair value per share subscription right is estimated according to the IFRS 2 standard.

Warrants:

The warrants were classified as derivative liabilities (scoped under IFRS 9) and measured at fair value (in accordance with IFRS 13) in the statement of financial position. The model uses the following parameters: the exercise price, the life of the warrant, the current price of the underlying shares, the expected volatility of the shares and the risk free interest rate for the life of the warrant. Changes in the estimate will impact the financial items in the profit and loss statements. The warrants expired in Q4 2022.

Convertible debt:

The convertible loans are denominated in Norwegian Kroner (NOK); however, the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that were received by the Company were not fixed and varied based on foreign exchange rates. A portion of the loans, the conversion feature, is a derivative required to be recognized and measured at fair value at each reporting period. Any changes in fair value in the convertible loans from period to period is recorded as a non-cash gain or loss in the consolidated statements of comprehensive income, in accordance with IFRS 9. The convertible loans, including accrued interest, are classified as short-term liability at amortized cost. The conversion feature derivative liability is classified as short-term held-for-trading liability. The derivative liability is measured using Black Scholes valuation model.

Deferred tax assets:

Deferred tax assets related to losses carried forward are recognized when it is probable that the loss carried forward may be utilized. Evaluation of probability is based on historical earnings, expected future margins and the size of the order back-log. Future events may lead to these estimates being changed. Such changes will be recognized when reliable new estimates can be made. No deferred tax assets have been recognized in the balance sheet as of 31 December 2022.

Research and development:

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset only when Ensurge can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, the Company's intention and capability of completing the development and realize the asset, and the net future financial benefits of use or sale. Determining whether an expense meets the definition of a development cost requires judgment to be applied. Capitalized development costs as of 31 December 2022, have been fully impaired. See Note 7.

Intangible assets:

In connection with the purchase of certain assets from Kovio, Inc., in January 2014, Ensurge acquired an IP portfolio of ninety patent families. In addition, Ensurge has acquired certain licenses and capitalized certain development costs relating to printed batteries. These assets are recognized in the balance sheet as intangible assets and valued at fair value less accumulated amortization and impairment losses. The book value is dependent on the successful development of the technology in the Parent Company and in the subsidiaries. As of 31 December 2022 the intangible assets are fully impaired. See Note 7.

Property, plant and equipment (PPE):

In connection to establishing US headquarters in San Jose, Ensurge has invested in PPE, including a roll-based production line. Determining whether equipment/a tool a) is under construction b) is ready for use in production c) will generate sufficient net future benefits on a stand-alone basis or as part of a production line, requires judgment to be applied. Similarly, any subsequent reversal will require judgment to be applied. The corporate restructuring announced in 2019 triggered impairment testing relating to these assets. See Note 6 for quantification of book values and impairments.

Lease:

The Company entered into a lease agreement in November 2016 relating to the property building of its US headquarters in San Jose, California. Ensurge assesses whether the lease has been impaired by applying the requirements in IAS 36 - Impairment of assets. As of 31 December 2022, the book value of the leased building is USD 0 thousand, whereas the book value of the lease liability is USD 10,897 thousand. See Note 8.

6. Property, plant and equipment

Amounts in USD 1,000	Laboratory and production equipment
Useful life, years	5
2022	
Accumulated cost on 1 January 2022	**52,594**
Additions	**556**
Sale/disposal of assets	(454)
Accumulated cost 31 December 2022	**52,696**
Accumulated depreciation	
Accumulated depreciation and impairments on 1 January 2022	(50,561)
Depreciation expenses	(402)
Sale/disposal of assets	437
Accumulated depreciation and impairment 31 December 2022	**(50,527)**
Net book value 31 December 2022	**2,169**
2021	
Accumulated cost on 1 January 2021	50,773
Additions	1,821
Accumulated cost 31 December 2021	**52,594**
Accumulated depreciation	
Accumulated depreciation and impairments on 1 January 2021	(50,547)
Depreciation expenses	(14)
Accumulated depreciation and impairment 31 December 2021	**(50,561)**
Net book value 31 December 2021	**2,033**

All property, plant and equipment are based in San Jose, California.

Impairment:

The company revised its strategy in 2019 and impaired the production related assets. This triggered an impairment test. Management views the roll-to-roll technology, production facility and related assets as broadly applicable to multiple potential applications, including for use in its strategy to develop and produce a new and innovative class of ultrathin, ultrasafe solid-state lithium batteries for wearable devices, connected sensors. However, management believes that the 'value in use' is not readily supportable, as it has only been forecasted in a financial model, with no real data to support the estimates. As there is no observable market data on these assets, management have not been able to find a reliable estimate on 'fair value less costs to sell'. Due to these uncertainties the assets, including intangible assets (see Note 7) and right-of-use assets (see Note 8) were fully impaired as of 31 December 2019. If the revised strategy is successful, the Company may reverse some or all of the impairment of production related assets. Current net book value relates to production equipment for the battery.

Assets pledged as security:

The majority of production facility assets, including the roll-to-roll (R2R) production facility, have been pledged to secure borrowings of the group (see Note 14). The group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

7. Intangible assets

Amounts in USD 1,000	Purchased intellectual property	Capitalized development costs	Total
Amortization period, years (linear)	13–16		
2022			
Acquisition cost			
Accumulated cost on 1 January 2022	1,791	1,630	3,421
Additions	—	—	—
Accumulated cost 31 December 2022	**1,791**	**1,630**	**3,421**
Accumulated amortization and impairment on 1 January 2022	(1,791)	(1,630)	(3,421)
Amortization	—	—	—
Amortization and Impairment 31 December 2022	**(1,791)**	**(1,630)**	**(3,421)**
Net book value 31 December 2022	**—**	**—**	**—**
2021			
Accumulated cost on 1 January 2021	1,791	1,630	3,421
Additions	—	—	—
Exchange differences	—	—	—
Accumulated cost 31 December 2021	1,791	1,630	3,421
Accumulated amortization and impairment on 1 January 2021	(1,791)	(1,630)	(3,421)
Amortization	—	—	—
Amortization and Impairment 31 December 2021	**(1,791)**	**(1,630)**	**(3,421)**
Net book value 31 December 2021	**—**	**—**	**—**

The purchased intellectual property relates to licensing of certain patents. The portfolio is reviewed for impairment annually by comparing the book value to the fair market value at the patent level. In 2019 the remaining unamortized balance was impaired in full as the Company revised its strategy whereby the future value of these patents is uncertain.

In 2019 it was decided that the capitalized development costs relating to NFC SpeedTap™ would not be further commercialized and the remaining costs were impaired.

The assets are assessed annually. Due to uncertainty of future use and commercialization, no reversal was identified for 2022.

8. Right-of-use assets

The Company entered into a lease agreement in November 2016 relating to the building of its US headquarters in San Jose, CA. The lease in San Jose expires in September 2028. Ensurge applies exemption for short term leases (12 months or less) and low value leases. The borrowing rate applied in discounting of the nominal lease debt is 7.25%. Right-of-use assets are depreciated linearly over the lifetime of the related lease contract.

Amounts in USD 1,000	Lease Liability
Lease liability recognized at 1 January 2022	12,175
Lease payment (see note below)	(2,120)
Interest expense	842
Lease liability as of 31 December 2022	**10,897**

For maturity schedule of minimum lease payments, see Note 14.

In the statement of cash flow, the principal portion of lease payments are included in line Lease payment with an amount of USD 1,278 thousand, and interest portion of the payment are included in line Interest paid with an amount of USD 842 thousand. Both are presented as cash flow from financing activities.

9. Inventory

Amounts in USD 1,000	31 December 2022	31 December 2021
Finished goods	—	514
Raw materials	0	215
Net book value	**—**	**—**
Inventory reserved	0	729

10. Trade and other receivables

Amounts in USD 1,000	31 December 2022	31 December 2021
Customer receivables	149	174
Other receivables, prepayments	844	881
Less: provision for impairment of receivables and prepayments	(125)	(140)
Receivables – net	**868**	**915**
Of this, receivables from related parties (Note 24)	—	—

Of other receivables, prepayments of USD 2,510 thousand (which is fully impaired); (2021: USD 3,287 thousand) relate to equipment for San Jose site not yet delivered. All receivables are due within one year and book value approximates fair value.

Other non-current financial receivables of USD 574 thousand mostly relates to security deposit held by Utica Leaseco, LLC.

Total receivables are denominated in currencies as shown below:

Amounts in USD 1,000	31 December 2022	31 December 2021
Denominated in NOK	93	11
Denominated in USD	775	904
Total	**868**	**915**

Trade receivables of USD 149 thousand were past due by more than 90 days.

The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

11. Cash and bank deposits

Amounts in USD 1,000	31 December 2022	31 December 2021
Cash in bank excluding restricted cash	3,316	5,221
Deposit for Letter of Credit (restricted)	1,626	1,626
Deposit for withheld tax (restricted)	21	5
Total	**4,963**	**6,853**

Payable withheld tax amounts in Norway at 31 December 2022 were USD 0 thousand (2021: USD 0 thousand).

12. Share capital, warrants and subscription rights

Following completion of the 9:1 share consolidations, the composition of Ensurge's share capital was changed from 1,914,208,208 shares, each having a par value of NOK 0.11, to 212,690,508 shares, each having a par value of NOK 0.99. The registration date of the share consolidation was 11 March 2022. The 2021 figures are restated and represent the 9:1 share consolidation.

	Number of shares	Number of warrants
Shares at 1 January 2022	**194,055,315**	**—**
Shares issued	49,435,185	—
Allotment of warrants	—	18,518,518
Subscription rights exercised and shares issued	737,998	—
Expired warrants	—	(18,518,518)
Shares at 31 December 2022	**244,228,498**	**—**
Shares at 1 January 2021	**109,505,352**	**75,464,686**
Shares issued	7,658,097	—
Allotment of warrants	—	—
Exercise and issued	70,705,093	(70,705,093)
Warrants exercised, paid and unissued at 31 December 2020	1,912,455	—
Warrants exercised, pending payment and unissued at 31 December 2020	4,274,318	—
Expired warrants	—	(4,759,593)
Shares at 31 December 2021	**194,055,315**	**(0)**

Shares issued	Date	Number of shares	Price per share
Private placement	3 February 2022	13,951,267	5.40
	8 March 2022	4,567,252	5.40
	24 July 2022*	3,416,666	3.00
	8 November 2022	18,256,183	2.00
	12 December 2022	9,243,817	2.00
Shares issued in 2022		**49,435,185**	
Subscription rights exercised	27 January 2022	116,673	2.97
	13 June 2022	621,325	1.35
Subscription rights exercised in 2022		**737,998**	
Private placement	1 March 2021	7,658,097	7.38
Warrants exercised	2021	76,891,866	0.99
Shares issued in 2021		**84,549,963**	
Subscription rights exercised in 2021		**—**	**—**

*On 24 July 2022, the Company announced that it secured funding totaling NOK 57 million. Of this amount, NOK 46.7 million represents commitments to subscribe for convertible loans, the balance of NOK 10.3 million in new shares via a private placement. The convertible loans were approved at the EGM held 17 August 2022. The board of directors has authorization from the AGM held 25 May 2022 to complete a private placement. The convertible loans are repayable after one year following the date of the EGM (the "Maturity Date") and the lenders are entitled at any time after six months from the EGM until the Maturity Date to convert the loans into shares in the Company at a conversion price of NOK 3.00. The convertible loans carry interest at the rate of 5% per annum.

Number of subscription rights	1 January – 31 December 2022	1 January – 31 December 2021
Subscription rights opening balance	21,278,803	9,352,112
Grant of incentive subscription rights	3,101,502	13,101,079
Terminated, forfeited and expired subscription rights	(2,502,843)	1,174,388
Exercise of subscription rights	(737,998)	—
Subscription rights closing balance	**21,139,464**	**21,278,803**

	Date	Subscription Rights	Price	Vesting	Expiration
2022					
Board members	25 May 2022	2,000,000	2.50	12.5% per quarter	25 May 2027
Employees	11 January 2022	90,002	6.30	50% per year	3 June 2026
	3 May 2022	161,500	3.64	50% per year	3 June 2026
	25 August 2022	850,000	3.43	50% per year	25 May 2027
Grants of subscription rights in 2022		**3,101,502**			
2021					
Board members	19 January 2021	390,255	1.35	50% per year	19 August 2025
	19 January 2021	390,255	5.60	50% per year	19 August 2025
	12 May 2021	707,052	1.35	50% per year	19 August 2025
	12 May 2021	707,052	6.98	50% per year	19 August 2025
Employees	19 January 2021	2,590,744	5.60	50% per year	19 August 2025
	19 January 2021	108,762	5.60	50% per year	19 August 2025
	12 March 2021	38,889	6.84	50% per year	19 August 2025
	16 April 2021	52,778	7.30	50% per year	19 August 2025
	6 May 2021	88,889	7.30	50% per year	19 August 2025
	12 May 2021	5,656,403	6.98	50% per year	19 August 2025
	22 June 2021	406,667	7.02	50% per year	3 June 2026
	27 August 2021	1,183,333	5.93	50% per year	3 June 2026
	26 October 2021	780,000	6.19	50% per year	3 June 2026
Grants of subscription rights in 2021		**13,101,079**			

13. Trade and other payables

Amounts in USD 1,000	31 December 2022	31 December 2021
Trade payables	857	563
Public duties, withheld taxes and social security taxes due	38	8
Share-based liability (subscription rights), employer´s tax	–	163
Accrued holiday pay and other accrued salary	1,003	677
Other accrued expenses	613	560
Total	**2,511**	**1,971**
Of this, payables to related parties (Note 24)	249	15

Total payables and accruals are denominated in currencies as shown below

Amounts in USD 1,000	31 December 2022	31 December 2021
Denominated in NOK	475	192
Denominated in USD	2,036	1,779
Total	**2,511**	**1,971**

14. Current and long-term debt

In September 2019, the subsidiary in US, Ensurge Micropower, Inc., closed an equipment term loan facility with Utica for USD 13,200 thousand secured by select fixed assets (see Note 6). The terms of the agreement were interest-only monthly payments for the first six months, followed by three months of interim payments, and thereafter a four-year amortization period during which monthly principal and interest payments are due. The Company entered into the First Amendment (Amendment) effective 11 April 2020. The terms of the amended agreement were that the lender agreed to accept reduced payments in April 2020, and interest-only payments for May–November 2020, and thereafter to re-amortize the remaining balance of the transaction. The Company entered into the Second Amendment (Amendment) in December 2020. The new terms of the amended agreement are that the lender agreed to accept modified payments from January through June 2021. In July 2021, regular payments resumed, and included a lump sum “true up” payment for each Schedule to repay the difference of the amounts due and the reduced payments permitted under this Amendment. On 7 November 2022, the Company consolidated and reamortized the Master Lease Agreement and three amendments with Utica. In connection with the new arrangement, the company has pledged additional collateral to secure the amended payment terms. In addition to the existing collateral pledge, Ensurge has pledged all remaining unsecured equipment located in the San Jose, California facility. Further, Utica has taken a first security position in certain of Ensurge Micropower ASA’s intellectual property.

For the twelve months ended December 31, 2022, the current portion of the loan principal of USD 748 thousand and the long-term portion of the principal of USD 6,750 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position.

The interest rate for the financing is at 14%. The table below discloses principal payment obligations as well as interest payments for the company.

The Company has pledged its roll-to-roll production line equipment and sheet-line tools as collateral against the Utica loan. Net book value of assets pledged is USD 2,169 thousand.

The Company entered into a lease agreement in November 2016 relating to its US headquarters in San Jose, California. The lease in San Jose expires in September 2028. The building element of the lease agreement is classified as a lease liability. As a part of the relocation of Ensurge’s US headquarters in 2017, a USD 1,600 thousand Letter of Credit was issued by Ensurge Micropower ASA to the landlord. The restricted cash of USD 1,600 thousand securing the Letter of Credit is included in the Company’s cash and cash equivalents. Ensurge Micropower ASA, in addition, entered into a Tenancy Guarantee with the landlord. The guarantee was given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2022, the guarantee liability amounted to USD 2,500 thousand.

The San Jose, California lease is reflected under this caption and the table below. In addition, see Note 25.

The interest rate for the financing is at 17%. Table below disclosures principal payment obligations for the company.

On 24 July 2022, the Company announced that it secured funding totaling NOK 57 million. Of this amount, NOK 46.7 million represents commitments to subscribe for convertible loans. The convertible loans were approved at the EGM held 17 August 2022. The convertible loans are repayable after one year following the date of the EGM (the “Maturity Date”) and the lenders are entitled at any time after six months from the EGM until the Maturity Date to convert the loans into shares in the Company at a conversion price of NOK 3.00. The convertible loans carry interest at the rate of 5% per annum. See Note 15.

Maturity schedule — liabilities

Amounts in USD 1,000									31 December 2022
	Principal and Interest Due								
	Within 1 year				1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
	1st qtr	2nd qtr	3rd qtr	4th qtr					
Principal obligations due to Utica	—	102	316	331	1,494	1,808	2,188	1,261	—
Convertible debt obligations due	—	—	4,849	—	—	—	—	—	—
Interest payments	348	352	595	336	1,172	858	478	72	—
Lease payments	542	542	542	558	2,246	2,311	2,378	2,447	1,875
Total	**890**	**996**	**6,301**	**1,225**	**4,912**	**4,977**	**5,044**	**3,780**	**1,875**

15. Convertible debt

On 24 July 2022, the Company announced that it secured funding totaling NOK 57 million. Of this amount, NOK 46.7 million represents commitments to subscribe for convertible loans. The convertible loans were approved at the EGM held 17 August 2022. The convertible loans are repayable 17 August 2023 and the lenders are entitled at any time after 17 February 2023 to convert the loans into shares in the Company at a conversion price of NOK 3.00. The convertible loans carry interest at the rate of 5% per annum.

The convertible loans are denominated in Norwegian Kroner (NOK); however, the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that were received by the Company were not fixed and varied based on foreign exchange rates. A portion of the loans, the conversion feature, is a derivative required to be recognized and measured at fair value at each reporting period. Any changes in fair value in the convertible loans from period to period is recorded as a non-cash gain or loss in the consolidated statements of comprehensive income, in accordance with IFRS 9. The convertible loans, including accrued interest, are classified as short-term liability at amortized cost. The conversion feature derivative liability is classified as short-term held-for-trading liability. The derivative liability is measured using Black Scholes valuation model.

Amounts in USD 1,000	31 December 2022
Short term debt	$3,692
Derivative liabilitiy	223
Accrued interest	86
Conversion price	NOK 3.00
Interest rate	5%
Maturity date	17 August 2023

16. Warrants liability

On 3 February 2022, the Company announced the completion of a private placement of 125,561,401 shares (Tranche 1) (as adjusted for the 9:1 share consolidation in March 2022) and an allocation of 41,105,265 shares (Tranche 2) (as adjusted for the 9:1 share consolidation in March 2022) at a subscription price of NOK 5.40 per share, resulting in gross proceeds of NOK 100 million. The private placement included two non-tradeable warrants for every share subscribed for in the private placement at no additional cost and with an exercise price equal to NOK 5.40. 50% of the private placement warrants expired on 30 June 2022 and the remaining 50% expired on 30 November 2022.

The exercise price of the warrants is denominated in Norwegian Kroner (NOK); however, the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that were received by the Company were not fixed and varied based on foreign exchange rates. The warrants were a derivative and were required to be recognized and measured at fair value at each reporting period. Any changes in fair value from period to period were recorded as a non-cash gain or loss in the consolidated statement of net loss/(income) and comprehensive loss/(income), in accordance with IFRS 13. Upon exercise, the holders paid the Company the respective exercise price for each warrant exercised in exchange for one common share of Ensurge Micropower ASA and the fair value at the date of exercise and the associated non-cash liability will be reclassified to share capital. No warrants were exercised in 2022. The non-cash liability associated with any warrants expired unexercised was recorded as a gain in the consolidated statement of net loss/(income) and comprehensive loss/(income). There are no circumstances in which the Company would be required to pay any cash upon exercise or expiry of the warrants. A reconciliation of the change in fair values of the derivative is below:

	Fair Value of Warrant Liability	
	As of 31 December 2022	**As of 31 December 2021**
Opening Balance	—	$26,020
Warrants Issued	434,065	—
Warrants Exercised	—	(32,404)
Warrants Expired	(434,065)	(2,234)
Change in fair value of warrant liability	—	8,637
Ending Balance	—	19
Deferred loss*	—	(19)
Warrants liability	**—**	**—**

See Note 12 for more details.

17. Sales revenue

The Group is domiciled in Norway. There were no sales revenue from external customers for 2022 or 2021.

18. Salaries and other payroll costs

Amounts in USD 1,000	2022	2021
Salaries	7,098	5,791
Social security costs	531	377
Share-based compensation (subscription rights), notional salary cost	3,434	4,754
Share-based compensation (subscription rights), accrued employer´s tax*	(175)	179
Pension contribution	250	208
Other personnel related expenses, including recruiting costs	1,048	931
Total	**12,186**	**12,240**
Average number of employees for the year (full-time equivalent)	38	31

At the end of the year the group had 37 full-time employees, up from 35 at the end of 2021.

The company has defined contribution pension plans. Contributions are expensed and paid when earned.

*Relates to remeasurement of social security costs. See Note 2.17.

Compensation to senior management

Amounts in USD 1,000	Salary	Pension contribution	Bonus	Share-based remuneration
2022				
Kevin Barber, CEO	420	12	—	1,190
Tarun Anand, Acting CFO (from August 2022)	105	4	—	2
David Williamson, Former CFO (until August 2022)	179	8	—	162
Arvind Kamath, EVP Technology Development	309	12	—	442
2021				
Kevin Barber, CEO	384	12	159	1,812
David Williamson, Acting CFO	229	11	31	237
Arvind Kamath, EVP Technology Development	279	12	53	829

The salary amount is the salary declared for tax purposes. Bonus represents the amount earned and accrued as of year-end. Bonuses earned in 2021 were paid during 2022. No bonus payments were earned in 2022. The value of share based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights. The subscription rights cease when the employee resigns.

There were no subscription rights exercised by senior management in 2022 or 2021.

The Company has not made any advance payments or issued loans to, or guarantees in favour of, any members of management.

Remuneration to the Board of Directors

The company has no other obligation to remunerate the board than the board remuneration as resolved at the AGM. The AGM on 25 May 2022 resolved remuneration to each board member in the amount of USD 80 thousand (or an amount in NOK equivalent thereof) for the period from the AGM in 2022 to the AGM in 2023, with an additional remuneration to Morten Opstad, for the same period, of NOK 230 thousand as a fixed annual fee for services as Chair which are beyond the ordinary Board member functions. The company has not issued any advance payments or loans to, or guarantees in favor of, any board member.

The board of directors resolved on 19 January 2021 to grant 780,510 (as adjusted for the 9:1 share consolidation in March 2022) subscription rights to the members of the board of directors of the Company. The exercise price to be paid per share is NOK 1.35 per share for Morten Opstad and Preeti Mardia, while the exercise price per share for Jon Castor and Kelly Doss is NOK 5.6025. On 12 May 2021, a further 1,509,296 subscription rights (as adjusted for the 9:1 share consolidation in March 2022) were granted to members of the board of directors, with an exercise price per share of NOK 1.35 per share for Morten Opstad and Preeti Mardia, and NOK 6.9813 per share for Jon Castor and Kelly Doss. On 28 October 2021, a total of 95,192 of the foregoing grants (as adjusted for the 9:1 share consolidation in March 2022) were cancelled. The subscription rights granted to Board members in 2021 vest by 50% as of the 2021 annual general meeting and 50% year as of the 2022 annual general meeting and expire on 19 August 2025.

The AGM resolved on 25 May 2022 to issue a total of 2,000,000 incentive subscription rights to new members of the board of directors in the Ensurge group. The exercise price of the subscription rights is NOK 2.50 per share. The subscription rights vest over two years, in equal quarterly terms, starting three months after the date of grant (12.5% per quarter) and expire on 25 May 2027. See Note 26 for outstanding board member subscription rights at year end.

19. Other operating expenses

Amounts in USD 1,000	2022	2021
Services	1,985	2,130
Premises, supplies	4,614	3,913
Sales and marketing	117	167
Other expenses	1,077	1,080
Total	**7,793**	**7,291**

Ensurge Micropower has lease agreements for premises in the following locations:

Oslo (Norway): The Corporate headquarter was located at Fridjof Nansens Plass 4, Oslo,. The Company currently pays rent on a month to month basis. The monthly rent is NOK 11 thousand per month.

San Jose (California, US): The Company entered into a lease agreement in November 2016 relating to the property building of its Global headquarter at Junction Avenue in San Jose, CA. The lease in San Jose expires in September 2028. The average annual lease amount in the period is USD 2,120 thousand. See Note 8 for further description.

Only the lease agreement for the San Jose premises has a duration longer than twelve months.

20. Net financial items

Amounts in USD 1,000	2022	2021
Interest income	49	1
Interest expense	(3,728)	(3,199)
Net realized and unrealized currency gain/(loss)	(609)	648
Warrant expenses	—	(8,817)
Change in fair value of derivative liability	1,300	—
Other expenses	—	(19)
Total	**(2,988)**	**(11,386)**

See Note 14 for interest expense and Note 15 for change in fair value of derivative liability.

21. Income tax expense

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in USD 1,000	2022	2021
Profit (loss) before tax	(23,369)	(30,963)
Tax (tax income) calculated at domestic tax rate 22% (22%)	(5,141)	(6,812)
Effect of other tax rate in other countries	530	(495)
Share based compensation	201	—
Mark to market adjustment	—	1,936
Nondeductible interest	464	—
Other permanent differences	(238)	839
Change in deferred tax asset not recognised in the balance sheet	4,184	2,935
Tax charge	**0**	**32**

22. Deferred income tax

Deferred income tax assets and liabilities are offset when the company has a right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Amounts in USD 1,000	31 December 2021	Charged to profit/loss	Equity	31 December 2022
Fixed and intangible assets	8,499	(6,951)	—	1,548
Inventory	441	9	—	450
Other accruals	4,831	277	—	5,109
Tax loss carried forward outside Norway	1,061	4,696	—	5,756
Tax loss carried forward Norway	67,533	(1,056)	—	66,477
Calculated deferred tax asset 22% (2021: 22%).	82,365	(3,026)	—	79,340
Impairment of deferred tax asset	(82,365)	3,026	—	(79,340)
Deferred tax in the balance sheet	—	—	—	—

The Equity column includes effects of currency translation.

The company has not recognised the tax asset as there is uncertainty relating to future taxable income for utilization of the tax loss carried forward, and the taxable loss on intangible assets. There is no expiration date on the tax loss carried forward. No tax item has been recorded directly to equity.

The unrecognized deferred tax asset is calculated by applying the local tax rates in Norway and the US. These tax rates are 22 and 21 percent respectively (2021: 22 and 21).

23. Profit (loss) per share

Amounts in USD	1 January – 31 December 2022	1 January – 31 December 2021
Profit (loss) attributable to equity holders of the Company (USD 1,000)	(23,369)	(30,995)
Average number of shares in issue*	215,182,212	194,055,317
Average diluted number of shares*	215,182,212	194,055,317
Profit (loss) per share, basic*	**(USD 0.11)**	**(USD 0.16)**

*As adjusted for the 9:1 share consolidation completed in March 2022.

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares, but the diluted result per share equals the result per basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the adjusted exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

On 14 March 2023 the EGM approved a private placement totaling 500,000,000 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 50 million. On 14 March 2023, the EGM approved a reduction in par value from NOK 0.99 to NOK 0.10 per share.

24. Related party transactions

a) Transactions with related parties:

Amounts in USD 1,000	2022	2021
Purchases of services from law firm Ræder	390	450
Purchase of services from Acapulco Advisors AS	241	157
Purchase of services from Alden AS	30	35

In 2022, Ensurge Micropower recorded USD 390 thousand (net of VAT) for legal services provided by law firm Ræder, in which Ensurge's Chairman is a partner.

In 2022, Ensurge recorded USD 241 thousand for advisory services from Acapulco Advisors AS, an Ensurge shareholder.

In 2022, Ensurge recorded USD 30 thousand for a share lending agreement with Alden AS, an Ensurge shareholder.

Robert N. Keith, a shareholder of Ensurge, entered into a consulting service agreement with effect from 1 January 2013. There is no compensation attached after 2019. Mr. Keith assists Ensurge in strategic analysis and in dealing with larger, international, prospective partners.

Transaction prices are based on what would be the prices for sale to third parties and are net of VAT.

b) Year-end balances arising from sales/purchases of goods/services with related parties

Amounts in USD 1,000	2022	2021
Payable to law firm Ræder	188	15
Payable to Acapulco Advisors AS	32	—
Payable to Alden AS	30	—

c) Remuneration to the auditor

Amounts in USD 1,000	2022	2021
Audit	174	206
Other assurance services	20	26
Tax services	4	2
Total	**198**	**235**

25. Guarantees

As a part of the relocation of Ensurge's US headquarters in 2017, a USD 1,600 thousand Letter of Credit was issued by Ensurge Micropower ASA to the landlord and is included in the Company's cash balance in Note 11 as restricted cash. Ensurge Micropower ASA has in addition entered into a Tenancy Guaranty with the landlord. The Guaranty is given to secure payment of the lease rent. The initial Guaranty liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As at 31 December 2022, the Guaranty liability amounted to USD 2,500 thousand.

26. Shares, warrants and subscription rights

At the end of 2022 there were 244,228,498 (as adjusted for the 9:1 share consolidation in March 2022) shares in the company, versus 194,055,317 (as adjusted for the 9:1 share consolidation in March 2022). At the end of 2021 there were 11,082 registered shareholders (2021: 11,801).

Ensurge is not aware of any shareholding agreements between shareholders.

Top 20 registered shareholders as of 31 December 2022	Shares	Percent
UBS Switzerland AG	25,192,803	17.3%
ALDEN AS	23,687,588	11.7%
TIGERSTADEN AS	13,000,000	10.0%
Nordnet Bank AB	9,465,487	5.6%
BNP Paribas	6,460,093	4.0%
R. SUNDVALL INVEST AS	6,307,241	2.6%
Favuseal AS	5,636,091	2.4%
FORSLAND, RUNAR	5,250,911	2.0%
FORTE NORGE	5,250,000	1.5%
JACO INVEST AS	5,100,001	1.4%
FORTE TRØNDER	4,200,000	1.3%
Citibank, N.A.	3,671,597	1.2%
KEITH, ROBERT	3,155,869	1.1%
ELLINGSEN, ANDREAS	3,154,756	1.0%
Danske Bank A/S	3,007,428	1.0%
SCHLYTTER-HENRICHSEN AS	2,857,285	0.9%
Bank Julius Bär & Co. AG	2,445,167	0.9%
SUNDVALL HOLDING AS	2,156,625	0.8%
BNP Paribas	1,924,222	0.7%
J.P. Morgan SE	1,856,580	0.6%
Total 20 largest shareholders	**133,779,744**	**67.9%**
Total other shareholders	110,448,754	32.1%
Total shares outstanding	**244,228,498**	**100.0%**

Shares, warrants and subscription rights held by primary insiders and close relations at 31 December 2022	Shares	Incentive subscription rights
Morten Opstad, Chairman	788,050	1,242,650
Victoire de Margerie, Board Member		1,000,000
Mark Newman, Interim CEO		1,000,000
Kevin Barber, Former CEO		7,811,014
Tarun Anand, Acting CFO		650,000
David Williamson, Former CFO		1,023,878
Arvind Kamath, EVP Technology Development		2,898,106
Total	**788,050**	**15,625,648**

Subscription rights

	2022		2021	
	Weighted average exercise price, NOK	Number of subscription rights	Weighted average exercise price, NOK	Number of subscription rights
Total at 1 January	5.31	21,278,803	4.41	9,352,112
Granted	2.42	3,101,502	5.51	13,577,039
Forfeited	7.76	(510,780)	7.55	1,650,348
Exercised	1.61	(737,998)		—
Expired	4.73	(1,992,063)		—
Total at 31 December	**4.91**	**21,139,464**	**5.31**	**21,278,803**
Number of exercisable subscription rights at 31 December (included in total)		13,604,767		—

The average strike price is lower than the quote share price on the Stock exchange at 31 December 2022.

Subscription rights outstanding at 31 December 2022

Holder	Number of subscription rights	Weighted average exercise price, NOK
Kevin Barber, CEO	7,811,014	5.96
Tarun Anand, Acting CFO	650,000	3.43
David Williamson, Former CFO	1,023,878	5.16
Arvind Kamath, EVP Technology Development	2,898,106	5.26
Employees and contractors	9,406,467	4.46
Total	**21,139,464**	**4.91**

There were subscription rights exercised in 2022.

Value of subscription rights and assumptions upon grant	Grants in 2022	Grants in 2021	Grants in 2020	Grants in 2019
Value of subscription right at grant date, NOK per subscription right	0.10–5.68	4.95–6.84	2.34–6.12	3.06–25.92
Share price, NOK per share	2.25–11.241	2.25–10.44	0.25–1.16	109.62–198.36
Exercise price, NOK per share	2.50–6.30	1.35–7.65	1.35–9.18	147.60–408.60
Expected annual volatility	0–257%	235–236%	98–157%	62–145%
Duration, years	4.1–5.0	4.1–4.8	4.2–5.0	1.0–4.2
Expected dividend	—	—	—	—
Risk-free interest rate, government bonds	0.90–3.35%	0.26–0.81%	0.14–0.79%	1.00–4.18%

Value of subscription rights and assumptions on 31 December 2022	Grants in 2022	Grants in 2021	Grants in 2020	Grants in 2019
Value of subscription right at 31 December 2022, NOK per subscription right	0.10–5.68	4.95–6.84	2.34–6.12	0–13.50
Share price, NOK per share	1.8956	1.896	1.896	1.896
Exercise price, NOK per share	2.50–6.30	1.35–7.65	1.35–9.18	147.60–408.60
Expected annual volatility	0–257%	235–236%	82–145%	0–209%
Duration, years	3.4–4.4	3.1–3.8	2.2–3.0	1.4–1.8
Expected dividend	—	—	—	—
Risk-free interest rate, government bonds	0.90–3.35%	0.26–0.81%	0.14–1.31%	0–1.38%
Number of outstanding subscription rights at 31 December 2022	3,057,057	10,851,157	6,885,389	345,861

The historical figures shown in the preceding tables have been adjusted for the 9:1 share consolidation completed in March 2022.

There were subscription rights exercised in 2022. There were no subscription rights exercised in 2021.

The board of directors resolved on 27 January 2022 to issue in total 116,673 (as adjusted for the 9:1 share consolidation in March 2022) ordinary shares at a subscription price of NOK 2.97 per share to a former employee who has exercised incentive subscription rights granted under the 2020 incentive subscription rights plan.

The board of directors resolved on 13 June 2022 to issue in total 621,325 shares with an exercise price of NOK 1.35 per share to a former board member who has exercised incentive subscription rights granted in accordance with the 19 August 2020 resolution by the EGM.

On 14 March 2023 the EGM approved a private placement totaling 500,000,000 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 50 million. On 14 March 2023, the EGM approved a reduction in par value from NOK 0.99 to NOK 0.10 per share.

On 14 March 2023, the EGM approved a proposal that the Group's employees shall be given a choice on whether to receive subscription rights instead of a set percentage of the employees' base pay, maximized to 20% of the salary, over the next six months; provided, however, that such conversion is obligatory for executive officers in respect of minimum 20% (and maximum 50% if chosen by the executive) of their cash salary over such period. The EGM approved a proposal that subscription rights may be granted under the 2022 Plan, to employees in the Group who wish or have committed to participate in this arrangement. The subscription rights would be issued on essentially the same terms as other subscription rights issued under the 2022 Plan but would vest 100% after a period of six months following the date of grant, and the subscription amount to be paid upon vesting, would be made by the Company from the cash salary payment that otherwise would have been payable had they not participated in the arrangement.

On 14 March 2023, the EGM approved a modification to the 2022 Subscription Rights Plan. Under the 2022 Subscription Rights Plan, the Board may issue subscription rights which vest 100% and become exercisable six months following the date of grant, and whereafter the exercise deadline shall be 90 days following the date of vesting. The exercise price and payment to be made upon issuance of shares in case of the above, shall be paid by the Company from the sum initially withheld from the respective employee's claim for cash consideration. In case the employee resigns or is terminated from employment prior to the 6-month vesting date, or if the employee for whatever reason does not timely exercise his or her subscription rights, the employee would lose entitlement to (i) exercise the subscription rights or (ii) claim any payment of the agreed deduction amount from their cash salary. For the avoidance of doubt, any issuances of subscription rights in case of the above, shall be in accordance with this resolution and the 2022 Subscription Rights Plan as a whole; provided, however, that the Board is given discretion to make amendments to the terms outlined in this paragraph in such case amendments are determined to be necessary or advisable with respect to applicable US law or tax legislation.

27. Statement on management remuneration policy

Ensurge's executive management during the year 2022 is specified in Note 19.

Several of the executive management team members serve as officers and directors in the subsidiaries without additional remuneration. The general meeting 2022 resolved guiding and binding executive remuneration policies. Ensurge's executive remuneration policy in 2022 was a continuation of the prior year's policy, including share based remuneration in the form of a subscription rights incentive program as resolved at the AGM on 25 May 2022.

Guiding executive remuneration policy and effect of the policies

Ensurge offers a competitive remuneration consisting of a reasonable base salary with a pension contribution. Salary may be supplemented by performance-based cash bonus and incentive subscription rights. Cash bonus plans are limited to fixed percentage of base pay. In addition, the management team, apart from the CEO, may receive additional discretionary bonus payments tied to specific projects.

There are no post-employment remuneration beyond notice periods of 3-6 months.

The policy described above has been applied consistently throughout 2022. The principles described above apply also in 2023, however individual bonus targets and salary levels will be revisited during the Company's normal salary process. The executive remuneration policy will be reviewed at the AGM on 24 May 2023.

The actual remuneration to executive management team in 2022 is reported in Notes 18 and 26.

The fair value of the subscription rights awarded, calculated according to Black-Scholes option pricing model, was NOK 547.7 million as of 31 December 2022. USD 3,804 thousand was expensed in 2022. At 31 December 2022, the estimated amount of share based remuneration cost yet to be expensed throughout the vesting period is NOK 299.2 million.

The Company has granted the executive management team the following subscription rights in 2022:

Employee name	Number of SR	Weighted average exercise price	Grant date
Tarun Anand, Acting CFO	650,000	3.432	1 Aug 2022
Total	**650,000**	**3.432**	

Salary, pension and any bonuses that triggers employer's tax which will be expensed simultaneously with the remuneration. See separate Remuneration Report 2022. Exercise price after the 9:1 share consolidation completed in 2022.

28. Events after the balance sheet date

On 6 February 2023 the Company announced that Mark Newman will assume the role as Interim Chief Executive Officer of Ensurge and its US subsidiary. He replaced Kevin Barber, who was the CEO since November 2018. Mark is presently a member of the Board of Directors of the Company. Due to applicable legal requirements, he will temporarily resign from the Board while serving as Interim CEO.

At the EGM on 14 March 2023 the EGM approved the election of Tomas Perrson as a board member until such time that Mark Newman resumes his role as a board member when a permanent CEO is in place.

On 14 March 2023 the EGM approved a private placement totaling 500,000,000 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 50 million. On 14 March 2023, the EGM approved a reduction in par value from NOK 0.99 to NOK 0.10 per share.

On 14 March 2023, the EGM approved a proposal that the Group's employees shall be given a choice on whether to receive subscription rights instead of a set percentage of the employees' base pay, maximized to 20% of the salary, over the next six months; provided, however, that such conversion is obligatory for executive officers in respect of minimum 20% (and maximum 50% if chosen by the executive) of their cash salary over such period. The EGM approved a proposal that subscription rights may be granted under the 2022 Plan, to employees in the Group who wish or have committed to participate in this arrangement. The subscription rights would be issued on essentially the same terms as other subscription rights issued under the 2022 Plan but would vest 100% after a period of six months following the date of grant, and the subscription amount to be paid upon vesting, would be made by the Company from the cash salary payment that otherwise would have been payable had they not participated in the arrangement.

On 14 March 2023, the EGM approved a modification to the 2022 Subscription Rights Plan. Under the 2022 Subscription Rights Plan, the Board may issue subscription rights which vest 100% and become exercisable six months following the date of grant, and whereafter the exercise deadline shall be 90 days following the date of vesting. The exercise price and payment to be made upon issuance of shares in case of the above, shall be paid by the Company from the sum initially withheld from the respective employee's claim for cash consideration. In case the employee resigns or is terminated from employment prior to the 6-month vesting date, or if the employee for whatever reason does not timely exercise his or her subscription rights, t employee would lose entitlement to (i) exercise the subscription rights or (ii) claim any payment of the agreed deduction amount from their cash salary. For the avoidance of doubt, any issuances of subscription rights in case of the above, shall be in accordance with this resolution and the 2022 Subscription Rights Plan as a whole; provided, however, that the Board is given discretion to make amendments to the terms outlined in this paragraph in such case amendments are determined to be necessary or advisable with respect to applicable US law or tax legislation.

29. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the group 31 December 2022
Ensurge Micropower Inc.	Research & Development, Manufacturing and Marketing services	USA	100%
Thin Film Electronics KK	Dormant	Japan	100%
TFE Holding	Owning shares in Ensurge Micropower Inc.	USA	100%

30. Contractual commitment

Ensurge has no significant contractual commitment related to equipment for the new roll-based production line at the San Jose site.

31. Litigation

The Company and its subsidiaries were not involved in any litigation or legal action as of 31 December 2022 and are not involved in any litigation or legal action as of the date of this report.

Ensurge Micropower ASA
Annual financial statements 2022

Profit and loss statements

Amounts in NOK 1,000	Note	2022	2021
Sales revenue	4	—	—
Total revenue		—	—
Salaries and other benefits	5, 6	(21,135)	(26,010)
Services (external)		(11,376)	(10,476)
Services (from subsidiaries)	7, 8	(264,657)	(143,018)
Other operating expenses	8	34,941	(41,571)
Operating profit (loss)		**(262,227)**	**(221,075)**
Impairment investment in subsidiary	13	(15,835)	(21,307)
Interest income		4,774	2,274
Interest expense	19	(5,459)	—
Change in fair value of derivative liability	19	12,688	—
Other financial income (costs)		12,891	1,393
Net financial items		**9,058**	**(17,740)**
Profit (loss) before income tax		**(253,168)**	**(238,815)**
Income tax expense	9	—	—
Profit (loss) for the year		**(253,168)**	**(238,815)**

The notes on pages pages 44 to 53 are an integral part of these annual financial statements.

Balance sheet

Amounts in NOK 1,000	Note	31 December 2022	31 December 2021
ASSETS			
Current assets			
Trade and other receivables	14	920	664
Cash and bank deposits	15	21,767	30,391
Total current assets		**22,687**	**31,055**
Total assets		**22,687**	**31,055**
EQUITY			
Ordinary shares	17, 18	241,786	192,115
Other paid-in capital		337,624	197,180
Total paid-in equity		**579,411**	**389,295**
Retained profit/uncovered losses		(614,338)	(361,170)
Total equity	**16**	**(34,928)**	**28,124**
LIABILITIES			
Current liabilities			
Accounts payable		3,185	632
Withheld tax and public duties payable		353	118
Debt to group companies	13, 20	14,336	-
Derivative & S/T convertible debt	19	38,590	
Other payables and accruals		1,151	2,181
Total liabilities		**57,615**	**2,931**
Total equity and liabilities		**22,687**	**31,055**

The notes on pages 44 to 53 are an integral part of these annual financial statements.

The board of directors of Ensurge Micropower ASA, Oslo, Norway, 27 April 2023

Morten Opstad Chairman	Victoire de Margerie Board Member	Tomas Persson Board Member	Mark Newman Interim CEO

Cash flow statements

Amounts in NOK 1,000	Note	2022	2021
Cash flows from operating activities			
Profit (loss) before income tax		(253,168)	(238,815)
- Share-based remuneration	16	14,336	41,359
- Change in working capital and other items		25,124	(71,213)
Net cash from operating activities		**(213,709)**	**(268,669)**
Cash flows from investing activities			
Net cash from investing activities		—	—
Cash flows from financing activities			
Proceeds from issuance of shares	16, 17	158,295	257,615
Proceeds from issuance of debt	19	46,790	—
Net cash from financing activities		**205,085**	**257,615**
Net change in cash and bank deposits		**(8,624)**	**(11,054)**
Cash and bank deposits at the beginning of the year		30,391	41,445
Cash and bank deposits at the end of the year *	**15**	**21,767**	**30,391**

The company had no bank draft facilities at the end of 2022 or 2021.

The notes on pages page 44 to 53 are an integral part of these annual financial statements.

*See Note 15 for restricted amount.

Notes to the Annual Financial Statements Ensurge Micropower ASA

1. Information about the company

Ensurge Micropower ASA ("Ensurge" or "the Thin Film Electronics ASA ("Ensurge" or "the Company") was founded on 22 December 2005 and was renamed to Ensurge Micropower. See Note 29 of the Consolidated Financial Statements for list of subsidiaries.

Ensurge is energizing innovation with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Fridjof Nansens Plass 4, Oslo, Norway. The Company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Ensurge's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International. Ensurge's ADR was moved to OTCQB with effect on 23 June 2020. The Company's shares, listed on Oslo Børs in Norway, trade under the symbol ENSU. The Company's ADRs, listed on OTCQB in the United States, trade under the symbol ENMMD.

These annual financial statements for the parent company were resolved by the Company's board of directors on 26 April 2023.

Going concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption.

On 14 March 2023 the EGM approved a private placement totaling 500,000,000 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 50 million.

As of the date of this report, the company has sufficient cash to fund operations until June, 2023.

To continue to fund the Company's activities beyond June 2023, the Company will seek additional funds from the investor market and from partnership funding. However, as funding is not secured for the next 12 months, a material uncertainty exist as to whether the Company and group will continue as going concern. The Company and group are dependent to successfully raise funds as planned.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the group, the board of directors has undertaken the following initiatives:

- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitments; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources.

As a consequence of uncertainty introduced by the Covid-19 pandemic, the Company has prioritized raising sufficient funds to provide adequate time to demonstrate a series of technology and market development milestones. Despite the material uncertainty to whether the group will be able to successfully raise funds as planned, the Board has concluded that the Company are not in a situation where there is no realistic alternative to continue as going concern and hence it is found appropriate to prepare the financial statements on the going concern basis.

2. Accounting policies

These annual financial statements have been prepared in accordance with the Norwegian accounting act 1998 and generally accepted accounting principles in Norway. The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been applied consistently. The financial statements have been prepared using the historical cost convention.

Principal criteria for valuation and classification of assets and liabilities

Assets for lasting ownership or use have been classified as fixed assets. Other assets have been classified as current assets. Receivables which are due within twelve months have been classified as current assets. Corresponding criteria have been applied when classifying short-term and long-term debt.

Current assets have been valued at the lower of cost and fair value. Other long-term debt and short-term debt have been valued at face value.

Assets and liabilities denominated in foreign currency

Monetary items in foreign currency have been converted at the exchange rate on the balance sheet date.

Shares in subsidiaries

Investment in subsidiaries has been valued at cost in the parent company. In case of impairment which is not temporary, the investment has been written down to fair value if mandated according to GAAP.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

Ensurge Micropower ASA recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the group's activities, as described below.

(a) Sales of goods

The Company had zero sales in 2022 and 2021. Sales of goods are recognized when the risks and rewards of ownership are transferred to the customer, the costs incurred in respect of the transaction can be measured reliably, and Ensurge retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(b) Rendering of services

The Company provides engineering and support services to strategic customers and partners. Revenue from services is recognized when, or in the same period as, the group has provided the services.

(c) Technology access revenue

The Group grants technology access rights to strategic customers and partners, i.e., the right to work with Ensurge and its technology to develop bespoke printed products and systems. Revenue from granting technology access rights is generally recognized on a straight-line basis over the period or contract term the technology access is granted. However, revenue from technology access agreements that involve an upfront lump-sum payment that is not tied to any future deliveries from Ensurge is recognized at the time the agreement is entered into.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and the conditions will be complied with. Grants which are related to specific development programs with commercial end-objectives are recognised as other operating revenue over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. Grants or other contributions in the form of tax credit are credited against costs.

Intangible assets

Reference is made to Note 2.6 in the Consolidated Financial Statements.

Receivables

Accounts receivable and other receivables have been recorded at face value after accruals for expected losses have been deducted. Accruals for losses have been made based on an individual assessment of each receivable.

Cash and bank deposits

Cash and bank deposits include cash, bank deposits and cash equivalents with a due date less than three months from acquisition.

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method.

Costs

In principle, cost of sales and other expenses are recognized in the same period as the revenue to which they relate. In instances where there is no clear connection between the expense and revenue, the apportionment is estimated.

Share based remuneration

The Company may issue independent subscription rights to employees and individual consultants performing similar work and accounts for these transactions under the provisions of NRS 15A and generally accepted accounting principles in Norway. Two types of expenses are recognized related to grant of subscription rights: (i) Notional cost of subscription rights is recognized at time of grant and calculated based on the Black-Scholes model (share price at time of grant, exercise price, expected volatility, duration and risk-free interest rate). The 2021 Subscription Rights Plan vests 50% on the first anniversary and 50% on the second anniversary. The notional cost of subscription rights as share based remuneration is expensed but the equity effect is nil because the contra item is a notional equity injection of equal amount. (ii) Employer's tax expense is accrued based on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs.

When the parent has an obligation to settle the share based payment transaction with the subsidiaries' employees by providing the parent's own equity instruments, this is accounted for as an increase in equity and a corresponding increase in investment in subsidiaries.

Tax on profit

Tax cost has been matched to the reported result before tax. Tax related to equity transactions has been charged to equity. The tax cost consists of payable tax (tax on the directly taxable income for the year) and change in net deferred tax. The tax cost is split into tax on ordinary result and result from extraordinary items according to the tax base. Net deferred tax benefit is held in the balance sheet only if future benefit can be justified.

Consolidated items

Insignificant items have been combined or included in similar items in order to simplify the statements. Lines which are zero or about zero have been omitted except where it has been deemed necessary to emphasize that the item is zero.

Estimates and judgmental assessments

The preparation of the annual accounts in accordance with the generally accepted accounting principles requires that the management make estimates and assumptions that affect the income statement and the valuation of assets and liabilities. Estimates and related assumptions have been based on the management's best knowledge of past and recent events, experience and other factors which are considered reasonable under the circumstances. Estimates and underlying assumptions are subject to continuous evaluation.

3. Significant events, going concern, events after the balance sheet date, financial risk

Significant events

Reference is made to Note 28 in the Consolidated Financial Statements.

Financial risk factors

Reference is made to Note 4.2 in the Consolidated Financial Statements.

4. Sales revenue

There were no sales revenue from external customers for 2022 or 2021.

No warranty costs, penalties or other losses were related to sales revenue in 2022 or 2021.

5. Employee salaries and other benefits

Amounts in NOK 1,000	2022	2021
Salaries	5,912	4,139
Social security costs	633	273
Share-based compensation (subscription rights), notional salary cost	14,336	21,183
Share-based compensation (subscription rights), accrued employer´s tax*	(228)	315
Pension contribution	117	100
Other personnel related expenses, including recruiting costs	365	–
Total	**21,135**	**26,010**
Average number of employees for the year	1	1
Number of employees 31 December	1	1

At the end of 2022 there was one fulltime employee in the company (2021: 1 fulltime employees).

The company has only defined contribution pension plans. Contributions are expensed and paid when earned.

Compensation to senior management

Amounts in NOK 1,000	Salary	Pension contribution	Bonus	Share-based remuneration
2022				
Kevin Barber, CEO	4,042	117	–	11,456
2021				
Kevin Barber, CEO	3,304	100	1,370	15,570

The salary amount is the salary declared for tax purposes. Bonus is the amount earned during the year and accrued at year-end.

Bonuses earned in 2021 were subsequently paid 2022. No bonuses were earned in 2022.

The value of share-based remuneration is the expensed amount excluding employer’s tax in the period for incentive subscription rights.

The Company has not made any advance payments or issued loans to, or guarantees in favour of, any members of management.

Remuneration to the board of directors

Reference is made to Note 19 in the Consolidated Financial Statements.

6. Statement on management remuneration policy

Reference is made to Note 27 in the Consolidated Financial Statements.

7. Related party transactions

a) Transactions with related parties:

Amounts in NOK 1,000	2022	2021
Sales, marketing, R&D and manufacturing services from Ensurge Micropower Inc.	264,639	143,118
Intercompany interest income on loan to Ensurge Micropower Inc.	(4,513)	(2,034)
Purchases of services from law firm Ræder	4,030	3,883
Purchase of services from Acapulco Advisors AS	2,501	1,345
Purchase of services from Alden AS	300	300

Ensurge's chairman, Morten Opstad, is a partner of Advokatfirmaet Ræder AS, who is also Ensurge's legal counsel. The amounts do not include Mr. Opstad's service as chairman. Mr. Opstad and close associates hold shares in Ensurge.

In 2022, Ensurge recorded NOK 2,501 thousand for advisory services from Acapulco Advisors AS, an Ensurge shareholder.

In 2022, Ensurge recored NOK 300 thousand for a share lending agreement with Alden AS, an Ensurge shareholder.

Robert N. Keith, a shareholder of Ensurge, entered into a consulting service agreement with effect from 1 January 2013. There is no compensation attached after 2019. Mr. Keith assists Ensurge in strategic analysis and in dealing with larger, international, prospective partners.

Transaction prices are based on what would be the prices for sale to third parties and are net of VAT.

b) Year-end balances arising from sales/purchases of goods/services with related parties

Amounts in NOK 1,000	2022	2021
Payable to/(from) Ensurge Micropower Inc.	14,336	(39,214)
Payable to law firm Ræder	1,849	130
Payable to Acapulco Advisors AS	313	—
Payable to Alden AS	300	—

8. Other operating expenses

Amounts in NOK 1,000	2022	2021
Premises, supplies	1,022	590
Sales and marketing	321	110
Bad debt	(39,214)	39,214
Other expenses	2,930	1,657
Sum	**(34,941)**	**41,571**

Ensurge pays rent for premises in Oslo (Norway) on a month to month basis. The monthly rent is NOK 11 thousand per month.

Ensurge Micropower ASA has not entered into any other lease agreements.

Remuneration to the auditor (ex VAT)

Amounts in NOK 1,000	2022	2021
Audit	1,679	1,773
Other assurance services	197	225
Tax services	40	20
Total	**1,916**	**2,018**

9. Income tax expense

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in NOK 1,000	2022	2021
Profit (loss) before tax	(253,168)	(238,815)
Tax (tax income) calculated at corporate tax rate	(55,697)	(43,912)
Permanent differences	(2,040)	9,417
Effect of change in tax rates (23% to 22%)/(23% to 22%)	57,737	34,495
Tax charge	**0**	**0**
Corporate tax rate	22%	22%

10. Deferred income tax

Deferred income tax assets and liabilities are offset when the Company has a right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The offset amounts are as follows:

Amounts in NOK 1,000	31 December 2022	31 December 2021
Deferred income tax asset Intangible asset	(7,182)	(7,705)
Tax loss carried forward	(639,249)	(580,179)
Calculated deferred tax asset	(646,430)	587,884
Impairment of deferred tax asset	646,430	(587,884)
Deferred tax asset in the balance sheet	**—**	**—**

The Company has not recognised the tax asset as there is uncertainty relating to future taxable income for utilization of the tax loss carried forward, and the taxable loss on intangible assets. There is no expiration date on the tax loss carried forward. No tax item has been recorded directly to equity.

The unrecognized deferred tax asset is calculated by applying the local tax rates in Norway with tax rate 22% (2021: 22%).

11. Property, plant and equipment

Current facilities are rented with furniture included. Minor computing and communications equipment have been expensed.

12. Intangible assets

Amounts in NOK 1,000	Purchased intellectual property	Negative goodwill	Capitalized development costs	Total
Amortization period, years (linear)	13–16	5		
Accumulated costs 31 December 2022	15,872	(2,925)	12,744	25,691
Amortization at 31 December 2022	(15,872)	2,925	(12,744)	(25,691)
Net book value 31 December 2022	**—**	**—**	**—**	**—**
Accumulated costs 31 December 2021	15,872	(2,925)	12,744	25,691
Amortization at 31 December 2021	(15,872)	2,925	(12,744)	(25,691)
Net book value 31 December 2021	**—**	**—**	**—**	**—**

The purchased intellectual property relates to licensing of certain patents. The portfolio is reviewed for impairment annually by comparing the book value to the fair market value at the patent level. In 2019 the remaining unamortized balance of NOK 8,391 was impaired in full as the Company revised its strategy whereby the future value of these patents are uncertain.

In 2019 it was decided that the capitalized development costs relating to NFC SpeedTap™ would not be further commercialized and the remaining costs of NOK 12,744 were impaired.

The assets are assessed annually. Due to uncertainty of future use and commercialization, no reversal was identified for 2022.

13. Investment in subsidiaries

The investments are held at the lower of cost and fair value in the balance sheet in 2022.

Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Ensurge Micropower Inc. — CA, USA			
At 31 December 2022	100%	100%	
Accumulated cost			328,339
Accumulated impairment charge			(328,339)
Net book value at 31 December 2022			**—**
Ensurge Micropower Inc. — CA, USA			
At 31 December 2021	100%	100%	
Accumulated cost			309,273
Accumulated impairment charge			(309,273)
Net book value at 31 December 2021			**—**

The local currency of Ensurge Micropower Inc. is USD. The net income in USD in 2022 was USD 6,936 thousand compared to a loss of USD 33,312 thousand in 2021. The total equity 31 December 2021 was USD (12,227) thousand [2021: USD (21,159) thousand]. The shares were fully impaired as of 31 December 2019. The provision was mainly triggered by the impairment of PPE in INC as a result of the corporate restructuring (please refer to Note 6 in the Consolidated Financial Statements).

Thin Film Electronics KK (Tokyo, Japan), is a 100% owned subsidiary, which was fully written down in 2016, as all activity in the Japanese legal entity had ceased.

Thin Film Electronics HK Ltd. (Hong Kong), is a 100% owned subsidiary, which was fully written down in 2018. The Company completed the process to dissolve the legal entity in 2021.

TFE Holding (NV, USA), is a 100% owned subsidiary, of which the only activity is holding shares in Ensurge Micropower Inc. Net book value is zero in both 2022 and 2021.

Guarantees provided to subsidaries

As a part of the relocation of Ensurge's US headquarters in 2017 a USD 1,600 thousand Letter of Credit has been issued by Ensurge Micropower ASA to the landlord. Ensurge Micropower ASA has in addition entered into a Tenancy Guaranty with the landlord. The guaranty is given to secure payment of the lease rent.

The initial Guaranty liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. At 31 December 2022, the Guaranty liability amounted to USD 2,500 thousand.

14. Trade and other receivables

Amounts in NOK 1,000	31 December 2022	31 December 2021
Customer receivables	1,233	1,233
Intercompany receivable from Ensurge Micropower Inc.	—	39,214
Other receivables, prepayments	920	664
Less: provision for impairment of receivables	(1,233)	(40,447)
Receivables – net	**920**	**664**

All customer receivables are due within one year and book value approximates fair value. The total amount of trade and other receivables in NOK is 920 thousand (2021: NOK 664 thousand).

Of other receivables, NOK 920 thousand were not past due as of 31 December 2022.

The company assesses impairment risk on an individual basis.

15. Cash and bank deposits

Amounts in NOK 1,000	31 December 2022	31 December 2021
Bank deposits excluding restricted cash	5,608	16,232
Deposit for Letter of Credit (restricted)	15,952	14,111
Deposit for withheld tax (restricted)	208	46
Deposit for warrant exercises, shares not yet registered (restricted)	—	2
Total	**21,767**	**30,391**

As a part of the relocation of Ensurge Micropower Inc.'s US headquarters in 2017 a USD 1,600 thousand Letter of Credit was issued to the landlord.

Payable withheld tax amounts at 31 December 2022 was NOK 208 thousand.

16. Equity

Amounts in NOK 1,000	Share capital	Other paid-in equity	Other reserves	Uncovered loss	Total
Balance at 1 January 2022	**192,115**	**156,818**	**40,360**	**(361,170)**	**28,124**
Share based compensation	—	31,823	—	—	31,823
Private Placement (February, August and December 2022)	48,941	108,169	—	—	157,109
Stock Rights Exercise	731	455	—	—	1,185
Net profit (loss) for the year	—	—	—	(253,168)	(253,168)
Balance at 31 December 2022	**241,786**	**297,264**	**40,360**	**(614,338)**	**(34,928)**
Balance at 1 January 2021	**108,410**	**47,710**	**(24,442)**	**(122,354)**	**9,324**
Share based compensation	—	41,359	—	—	41,359
Warrant exercises and Private Placement and subsequent offerings, total (approved 20 May and 19 August 2020)	76,123	18,814	64,802	—	159,739
Private Placement (March 2021)	7,582	48,935	—	—	56,517
Net profit (loss) for the year	—	—	—	(238,815)	(238,815)
Balance at 31 December 2021	**192,115**	**156,818**	**40,360**	**(361,170)**	**28,124**

17. Share capital

Reference is made to Note 12 in the Consolidated Financial Statements.

18. Shareholders, warrants and subscription rights

Reference is made to Note 26 in the Consolidated Financial Statements.

19. Convertible debt

On 24 July 2022, the Company announced that it secured funding totaling NOK 57 million. Of this amount, NOK 46.7 million represents commitments to subscribe for convertible loans. The convertible loans were approved at the EGM held 17 August 2022. The convertible loans are repayable 17 August 2023 and the lenders are entitled at any time after 17 February 2023 to convert the loans into shares in the Company at a conversion price of NOK 3.00. The convertible loans carry interest at the rate of 5% per annum.

The convertible loans are denominated in Norwegian Kroner (NOK); however, the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that were received by the Company were not fixed and varied based on foreign exchange rates. A portion of the loans, the conversion feature, is a derivative required to be recognized and measured at fair value at each reporting period. Any changes in fair value in the convertible loans from period to period is recorded as a non-cash gain or loss in the profit and loss statements. The convertible loans, including accrued interest, are classified as short-term liability at amortized cost. The conversion feature derivative liability is classified as short-term held-for-trading liability. The derivative liability is measured using Black Scholes valuation model.

Amounts in NOK 1,000	31 December 2022
Short term debt	36,461
Derivative liabilitiy	2,199
Accrued interest	851
Conversion price	NOK 3.00
Interest rate	5%
Maturity date	17 August 2023

20. Contingent liabilities

Reference is made to Note 25 in the Consolidated Financial Statements.

Corporate Social Responsibility (CSR) Statement

The Ensurge Micropower ASA Group recognizes that it has important obligations regarding 1) the conditions within its facilities and organization, relating to, inter alia, social and employee matters, equal opportunities and anti-discrimination, 2) its impact on the environment and the relationships it maintains with the communities in which it operates, and 3) respect for human rights, anti-corruption and anti-bribery matters As such, it adheres to policies related to these obligations and strives to achieve goals that engender safety, health, fairness, diversity, integrity, compliance, and sustainability.

The Company's business model

The objective of the Company shall be Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond. The Company believes that Ensurge's innovative solid-state lithium battery (SSLB) technology could be uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable batteries for diverse applications.

Social and employee matters, equal opportunities, and anti-discrimination

Policies and objectives

Ensurge promotes equality and non-discrimination, fairness, and ethical behavior. The Company aims to offer a pleasant, well-equipped, and risk-free work environment. It maintains fair and balanced employment practices and complies with all applicable labor laws applicable to the countries, regions, cities, and towns in which it operates. Ensurge encourages and expects similar commitments from its customers, partners, suppliers, and other vendors with whom the Company works.

Ensurge's objectives are to maintain a secure, safe, and healthy work environment for all employees of the Company and to continue to be a globally diverse company that strongly distances itself from any form of discrimination. Ensurge makes every reasonable effort to secure a healthy, safe, and lawful work environment, and the Company complies with all applicable laws, rules, and regulations concerning occupational health, safety, and environmental protection. The Company's policies prohibit discrimination against employees, shareholders, directors, customers, partners, suppliers, and other vendors on account of gender, race, sexual orientation, religion, disability, nationality, political opinion, and social or ethnic origin. Employees are provided with an Employee Handbook outlining corporate policy and receive regular trainings such as harassment prevention, discrimination, and employment law matters. Workplace diversity at all levels is highly encouraged and monitored. All persons shall be treated with dignity and respect and are encouraged to assist in creating a work environment free from any form of discrimination. Ensurge conducts quarterly reviews with its employment attorney to verify all employment and labor laws are being enforced. The Company holds semi annual employee surveys to provide an anonymous feedback mechanism as well as an anonymous suggestion box which is checked daily. Management reviews all employee feedback and creates a plan to address any pertinent information.   necessary conditions for a safe and healthy work environment shall be provided for all employees of the Company.

At Ensurge Micropower, Inc. (US subsidiary), all employees are required to complete a safety training course within their first month of employment. Ensurge has a safety committee in place which meets monthly to review any safety hazards, close calls, and preventable measures in high risk areas. We have a process in place to report workplace injuries and provide safety training for all new employees. The Company records the number of safety incidents per quarter and reports to management. Ensurge reports safety incidents to the Occupational Health and Safety Administration annually. Job related internal and external trainings take place regularly and completion of these trainings is recorded and verified by management . In compliance with the Safe Drinking Water and Toxic Enforcement Act of 1986 of the State of California, commonly referred to as Proposition 65, Ensurge Micropower, Inc. also informs employees of the onsite presence of any known chemical known to cause cancer or reproductive toxicity. Ensurge is committed to fully complying with all applicable laws regarding equal employment opportunities. Employees who believe they have been subjected to any form of unlawful discrimination may submit a complaint to their manager, any member of the management team, and/or Human Resources. The Company encourages all employees to immediately report incidents of harassment or other conduct prohibited by its anti-harassment policy so that complaints can be resolved in a fair and timely manner.

Environmental Impact

Policies and objectives

Ensurge requires that all subsidiaries of the Ensurge Group follow all current environmental laws and regulations for the jurisdictions in which they reside and operate. Ensurge routinely evaluates the environmental impact of its production — and manufacturing — related activities, with particular emphasis on the potential risks regarding present and future operations. Ensurge operates its production facility and laboratories in San Jose, California. Ensurge strives to monitor waste production, such as chemicals and electronics materials, to evaluate where and how the Company can improve – such as using fewer chemicals, leveraging alternative materials, and/or maximize the usage of current materials. Ensurge recognizes the impact that hazardous waste can have on the environment and takes every reasonable precaution to discard and recycle waste according to federal, state, and regional laws and regulations. In the San Jose, California facility, Ensurge partners with a licensed Environmental Services provider and strict guidelines are followed for the storage and disposal of hazardous material. Regular audits by the State of California take place and audit reports are reviewed and recorded by Management its Environmental Services provider. The State of California also tracks any Ensurge hazardous material shipments to the final disposal/incineration site to ensure overall compliance.

Human rights, anti-corruption and anti-bribery

Policies and objectives

It is important that Ensurge staff members do not place themselves in situations whereby their fidelity can be undermined or in which they may be vulnerable to external pressures contrary to Ensurge's or their own integrity. It is communicated and expected that all employees do not accept, either for themselves or on behalf of others, gifts, fees, services or other benefits which could influence the way they discharge their duties or are intended to exert such influence by the giver. Ensurge's objectives are to systematize and further improve internal training and education as it relates to ethics and anti-corruption compliance. Ensurge's Ethical Guidelines are based on respect and fairness in all aspects of the Company's business dealings. We demand and expect that our employees — at every level of the organization — adhere to applicable laws and regulations in the countries where we do business. Ensurge has a clear stance on corruption. Employees must always comply with applicable antibribery laws; and each manager and employee is responsible for compliance within his or her area of authority, and must report any suspected violation to HR, corporate management, and in certain cases, the local authorities. The Employee handbook provided to all employees at the start of employment reviews workplace conduct and resources. The Company conducts regular trainings which comply with local laws and regulations. Ensurge has an open door policy for reporting work place issues and conflicts of interest. There have been no reported cases of human rights, anti-corruption and anti-bribery incidents.

Responsibility Statement

The board and the CEO have today reviewed and approved this report of the board of directors as well as the annual financial statements for the Ensurge Micropower ASA Group and parent company as of 31 December 2022. The consolidated annual financial statements have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The annual financial statements for the parent company have been prepared in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway. The notes are an integral part of the respective financial statements. The report of the board of directors has been prepared in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway.

We confirm that, to the best of our knowledge, the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the board of directors and Managing Director (CEO) gives a true and fair view of the development, performance, and financial position of the group and the parent company, and includes a description of the principal risks and uncertainties which the group and the parent company are facing.

The board of directors of Ensurge Micropower ASA, Oslo, Norway, 27 April 2023

Morten Opstad Chairman	Victoire de Margerie Board Member	Tomas Persson Board Member	Mark Newman Interim CEO

Auditor’s Report

Deloitte.

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To the General Meeting of Ensurge Micropower ASA

INDEPENDENT AUDITOR’S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ensurge Micropower ASA, which comprise:

- The financial statements of the parent company Ensurge Micropower ASA (the Company), which comprise the balance sheet as at 31 December 2022, the profit and loss statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Ensurge Micropower ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

The Company shares were admitted to listing in January 2008. We have been the auditor since before the Company were listed. We have been the Company for fifteen years from the listing, including the listing year.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements of the Group and Note 1 in the financial statements of the parent and in the Board of Directors’ report. The Group and the parent are operating at a loss and management estimate that the Group and the parent have funds to support operations to June 2023. There is no assurance that management will be successful in raising funds. Failure to obtain funding would adversely affect the ability to

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continue as a going concern and consequently the Group and the parent might enter into liquidation. As stated in Note 2 in the financial statements of the Group and note 1 in the financial statements of the Company and in the Board of Directors' report, the liquidity situation, along with other matters as set forth in the notes and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our report.

Other Information
The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Ensurge Micropower ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name ensurge-2022-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format

(ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities
Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities
Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 27 April 2023
Deloitte AS

Lars Atle Lauvsnes
State Authorised Public Accountant

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Lars Atle Lauvsnes
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Corporate Governance

Resolved by the board of directors of Ensurge Micropower ASA (the "Company" or "Ensurge") on 19 April 2023. The statement outlines the position of the Company in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated 14 October 2021 ("the Code"). The Code is available at www.nues.no and from Oslo Børs. In the following, the board of directors will address each section of the Code and explain the areas, if any, where the Company does not fully comply with the recommendations and underlying reasons.

1. Implementation and reporting on Corporate Governance

The Company seeks to create sustained shareholder value for the shareholders in a sustainable manner, while taking into account financial, social and environmental considerations. The Company makes every reasonable effort to comply with the word and intent of the laws, rules and regulations in the countries and markets in which it operates. Ensurge is not aware of being in breach of any such statutory laws, rules or regulations. The Company pays due respect to the norms of the various stakeholders in the business. In addition to the shareholders, the Company considers its employees, Ensurge's business partners, the society in general and the authorities as stakeholders. Ensurge is committed to maintain a high standard of corporate governance, be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

The Ensurge Group presently has 28 ordinary full-time employees, four part-time employees, and a small number of consultants on site. The board of directors believes that, in the present organization, the board and management have monitoring and control systems in place that generally ensure insight into and control over the activities, although consistent with the philosophy of continuous improvement, the board and management are making and intend to make improvements to the legal and financial functions that are essential to the performance of these monitoring and control systems. (Note: In this review, the noun "the management" includes all persons conducting managerial functions, whether employed or otherwise contracted).

In a separate document the board has resolved ethical guidelines that apply to all employees, consultants and contractors as well as the elected board members. The ethical guidelines also incorporate the Company's guidelines on corporate social responsibility.

2. Ensurge's business

The objectives of the Company shall be Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond.

The description of the Company's business, as contained in the Articles of Association, was, at the 2022 Annual General Meeting, updated and given a more precise description to cover such objectives.

The Company believes that Ensurge's innovative solid-state lithium battery (SSLB) technology could be uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable batteries for diverse applications. The Company is currently focused on realizing these objectives, which may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem and commercial partners.

The Company's business goals and principal strategies are defined in the business plans that are developed and proposed by management and reviewed, modified as appropriate, and adopted by the board of directors. The plans are reviewed and revised periodically, and when needed.

3. Equity and dividends

The board is aware of and acknowledges the equity requirements and duty of action in connection with loss of equity, as set out in the Norwegian Public Limited Companies Act (the "PLCA"). In the past, the Company has needed to raise equity on several occasions to fund its operations and working capital requirements. The board has proposed to the general meeting only reasonable authorizations for share issues, generally limited to 10% of the Company's share capital. Such board authorizations have explicitly stated the type and purposes of transactions in which the authorizations may be applied. As of the general meeting(s) to be held in 2023, any proposed authorizations to issue shares shall be considered and voted separately by each type and purpose of such share issues.

The board authorizations to issue shares have been valid until the next annual general meeting, as recommended by the Code. The proposals have been approved by the shareholders.

The Company has in place an authorization to the board to acquire own shares up to 10 percent of the Company's shares, as of the date of the 2022 AGM, for a maximum price of NOK 1,000 per share. The board was authorized to decide upon the manner and terms of the acquisition, disposition, transfer and sale of its own shares. The length of the authorization is limited to 30 June 2023.

Ensurge has not yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years.

Ensurge intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operation and capital requirements.

4. Equal treatment of shareholders and transactions with close associates

The Company places great emphasis on ensuring equal treatment of its shareholders. The Company has one class of shares. There are no trading restrictions or limitations relating only to nonresidents of Norway under the Articles of Association of the Company. Each share carries one vote. There are no restrictions on voting rights of the shares. In the authorizations to issue shares to raise additional capital for the Company, where the existing shareholders have resolved to waive the pre-emptive right to subscribe for shares, the rationale for doing so has and shall be presented as part of the decision material presented to the general meeting. If and when such transactions are conducted, hereunder when resolved by the board pursuant to authorizations from the general meeting, the justification will also be included in the announcements to the market. All related party transactions in effect are entered into on an arm's length basis. Any future related party transactions shall be subject to an independent third-party valuation whenever required unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant. Members of the board and the management are obliged to notify the board if they have any material direct or indirect interest in any transaction entered into by the Company.

5. Shares and negotiability

All shares are freely assignable. The Articles of Association do not contain any restrictions on negotiability of the shares.

6. General meetings

The annual general meeting of shareholders, the Company's highest decision-making body, provides a forum for shareholders to raise issues with the board as such and with the individual board members. To the maximum degree possible, all members of the board shall attend electronically or in-person at the general meeting. The Company's auditors shall also attend the annual general meeting. The board proposes a person to chair the meeting, who is then approved by a simple majority of the votes cast at the general meeting. Notice of a meeting of the shareholders shall be sent in a timely manner and the Company shall issue the notice and documents for a general meeting, including the proxy form, no later than 21 days before the date of the general meeting. Foreign residents will receive the notice and documents in English. When appropriate, the documents will be made available at the Company's website and not sent to the shareholders.

The board of directors endeavors to provide comprehensive information in relation to each agenda item in order to facilitate productive discussion and informed resolutions at the meeting. The notice will also provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting.

The board of directors may choose whether to hold a general meeting as a physical meeting or as an electronic meeting, pursuant to the PLCA. Shareholders who are unable to attend the meeting will be provided the option to vote by proxy in favor or against each of the board's proposals. If a general meeting is held as a physical meeting, shareholders have a right to attend by electronic means, unless the board finds that there is sufficient cause for it to refuse to allow this. The notice shall contain a proxy form as well as information of the procedure for proxy representation. At the meeting, votes shall be cast separately on each subject and for each office/ candidate in the elections. Consequently, the proxy form shall, to the extent possible, facilitate separate voting instructions on each subject and on each office/candidate in elections. The notice, as well as the Company's website, will set out the rights that shareholders have to propose resolutions in respect of matters to be dealt with at the general meeting.

The general meeting has included in Section 7 of the Company's Articles of Association that documents which have been made available in a timely manner on the website of the Company and which deal with matters that are to be handled at the general meeting, need not be sent to the Company's shareholders.

All reports will be issued on the Oslo Børs marketplace (www.oslobors.no and www.newsweb. no) within the Oslo Stock Exchange, and on the OTCQB Venture Market www.otcmarkets. com/stock/ TFECY/overview). The reports and other pertinent information are also available at www.ensurge.com.

7. Nomination committee

Under the Articles of Association, Ensurge has a nomination committee that is elected by the annual general meeting for a term of two years. The nomination committee shall have three members, including a Chair.

The Company's guidelines for the nomination committee state that no executive personnel or board members in the Company should be a member of the nomination committee.

The nomination committee shall prepare and present proposals to the annual general meeting in respect of the following matters:

- Propose candidates for election to the board of directors,
- Propose the remuneration to be paid to the board members,
- Propose candidates for election to the nomination committee, and
- Propose the remuneration to be paid to the nomination committee members, all of which shall be resolved by the annual general meeting.
- Verifies Board composition meets all guidelines in regards to age, gender and education.

The Company provides information on its website about the composition of the nomination committee and any deadlines for submitting proposals to the committee.

8. Board of directors; composition and independence

The board acknowledges the Code's recommendation that the majority of the members of the board of directors shall be independent of the Company's management and material business contacts and that at least two of the members of the board should be independent of the Company's main shareholder(s). All board members are required to make decisions objectively in the best interest of the Company, and the presence of independent directors is intended to ensure that additional independent advice and judgement is brought to bear. The current board meets the independence criteria of the Code. The board meets the statutory gender requirements for the board.

Board members stand for election every two years. The board believes that it is beneficial for the Company and its shareholders that the board members also are shareholders in the Company and encourages each member of the board of directors to hold shares in the Company.

The board pays attention to ensure that ownership shall not in any way affect or interfere with proper performance of the fiduciary duties, which the board and the management owe the Company and all shareholders.

As and when appropriate, the board takes independent advice with respect to its procedures, corporate governance and other compliance matters.

9. The work of the board of directors

The division of duties and responsibility between the CEO/Managing Director and the board of directors is based on applicable laws and well-established practices, which have been formalized in writing through a board instruction in accordance with the PLCA.

The board instruction also sets out the number of scheduled board meetings per year and the various routines in connection with the board's work and meetings. The board instructions state that in situations when the Chair is not impartial or not operative, the most senior board member shall chair the board until a deputy Chair has been elected by and among the board members present.

The board of directors shall evaluate its performance and expertise annually. Moreover, the board will produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

Any and all related party transactions shall be subject to an independent third-party valuation whenever required unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant, to ensure that the Company is made aware of any possible conflicts of interest and to ensure that any such transactions are handled in a sufficiently thorough manner. The Company has a related parties policy in place.

With a compact board of only three members, there has not been any need for subcommittees to date. The future need for any sub-committees will be considered at a minimum annually in connection with the annual review of the Company's corporate governance.

Ensurge is not obliged to have a separate audit committee and in view of the small number of board members, the Company's Audit Committee consists of all board members who are not also executives or have similar roles in the Company. The board instruction includes an instruction for the audit committee.

10. Risk management and internal control

The board of directors has adopted internal rules and guidelines regarding, amongst other things, risk management and internal control, which rules and guidelines take into account the extent and nature of the Company's activities as well as the Company's corporate values and ethical guidelines, including the corporate social responsibility. The board of directors shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

In view of the size of the Company and the number of board members, the board has chosen to elect the full board (except any board members who hold executive positions) to constitute the audit committee. The audit committee policies and activities are compliant with the PLCA.

The board of directors has adopted an insider manual with ancillary documents intended to ensure that, among other things, trading in the Company's shares by board members, executives and/or employees, including close relations to the aforementioned, are conducted in accordance with applicable laws and regulations.

Internal control and risk management of financial reporting

Ensurge publishes four interim financial statements in addition to the ordinary annual financial statements. The financial statements shall satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies and be published according to the schedule adopted by the board. Closing of accounts, financial reporting and key risks analysis are provided monthly to the board of directors.

Ensurge has established a series of risk assessment and control measures in connection with the preparation of financial statements. In connection with subsidiaries' closing of accounts, internal review meetings are held by management. In addition, management identifies and proposes risk factors and measures linked to important accounting items or other factors which are reviewed, discussed, and sometimes modified in conjunction with the board. The board also has at least one separate meeting with the external auditor to review such risk factors and measures and conducts preparatory reviews of interim financial statements and annual financial statements.

A financial manual provides detailed instruction for financial planning, treasury, accounting and reporting, and has been reviewed and updated regularly by the board.

11. Remuneration of the board of directors

A reasonable cash remuneration to the board members for their services from the AGM in 2022 until the AGM in 2023 was proposed to and resolved at the 2022 AGM. The nomination committee will propose board remuneration for the period between the annual general meetings of 2023 and 2024.

The Board acknowledges that grants of subscription rights to members of the Board of Directors are in contradiction to the Corporate Governance recommendations, but remains of the view that it has been in the Company and shareholders' mutual best interest to make these grants in order to secure and retain the services of board members with international experience.

The Company has in place an agreement with Morten Opstad, the Chair of the Board, for remuneration for executive services beyond his board functions and role as Chair of the Board. Moreover, Advokatfirmaet Ræder AS, in which the Chair, Morten Opstad, is a partner, renders legal services to the Company.

A board member performing work for the Company beyond the board duty shall ensure that such arrangements do not in any way affect or interfere with proper performance of the fiduciary duties as a board member. Moreover, the board (without the participation of the interested member) shall approve the terms and conditions of any such arrangements. Adequate details shall be disclosed in Ensurge's annual financial statements.

12. Remuneration of executive personnel

Salary and other remuneration to the executive personnel in the Company is determined pursuant to the Company's executive remuneration policy, as approved by the 2021 AGM and amended at the 14 March 2023 EGM. The executive remuneration policy is publicly available on the Company's website.

The executive remuneration policy seeks to align the interests of the Company's executives and its shareholders, and to continuously improve sustainable performance. Furthermore, the policy is designed to align the interests of the Company and its executives to ensure its contribution to the Company's commercial strategy, long-term interests and financial viability.

On an annual basis the Company's compensation committee shall review the terms of the executive remuneration policy, to determine if any revisions are necessary. Where revisions are required, the compensation committee shall make proposals to the Board which, if significant and subject to Board approval, are proposed by the Board to the annual general meeting for approval. In the absence of any significant revisions, the executive remuneration policy shall be presented and explained by the Board to the annual general meeting every four years at minimum. At each annual general meeting, the Board shall present a remuneration report for the previous financial year.

In the event of significant changes to the executive remuneration policy, these must be described and explained in the policy document. The policy shall describe and explain how the shareholders' views on the guidelines, the general meeting's vote and the salary reports since the previous vote on the policy have been taken into account.

13. Information and communications

The board of directors places great emphasis on the relationship and communication with the shareholders. The primary channels for communication are the interim reports, the annual report and the associated financial statements. Ensurge also issues other notices to the shareholders when necessary or appropriate. The general meeting of shareholders provides a forum for the shareholders to raise issues with the board as such and the individual board members. All reports are issued and distributed according to the rules and practices at the market place(s) where Ensurge shares are listed. The Company shall in due course publish an annual financial calendar for the following year; setting forth the dates for major events such as its annual general meeting, publication of interim reports, any scheduled public presentation, any dividend payment date (if applicable), etc. The reports and other pertinent information are also available on the Company's website, www.ensurge.com.

The board of directors has adopted the following policies:

- Policy for reporting of financial and other information and investor relations;
- Policy for contact with shareholders outside general meeting; and
- Policy for information management in unusual situations attracting or likely to attract media or other external interest.

The financial reporting of Ensurge is believed to be fully compliant with applicable laws and regulations, and the Company retains the services of an internationally recognized auditor to review its accounts, policies and procedures. As of the interim financial information for the third quarter 2007, Ensurge has prepared its consolidated financial reports in accordance with IFRS. The current information practices are adequate under current rules.

14. Take-overs

There are no take-over defense mechanisms in place. The board will endeavor that shareholder value is maximized and that all shareholders are treated equally. The board shall otherwise ensure full compliance with Section 14 of the Code.

15. Auditor

The Company's auditor is fully independent of the Company. In case the Company should wish to obtain non-audit services from the auditor, the amended Auditors Act in Norway requires the board of directors to consider and confirm in advance that the service is not believed to be prohibited under the Auditors Act and that any such non-audit service is of a nature and level that will not affect the auditor's independence in respect of their statutory audit of the Company's annual financial statements. In this manner, the board must pre-approve any such nonaudit services from the auditor. The board of directors shall otherwise ensure full compliance with Section 15 of the Code.

Articles of Association

§1 The name of the company

The name of the Company is Ensurge Micropower ASA. The Company is a public limited company.

§2 The company's business

The Company's business shall encompass the development, manufacturing, and sales of solid-state microbatteries. The Company's business shall also include the development of services related to solid-state microbatteries and the maximization of the value of the Company's roll-to-roll facility in San Jose, California. The Company's objectives may be carried out in full internally or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem and commercial partners. The Company's business may be carried out directly by the Company and/or through subsidiary companies. The Company may hold ownership positions in companies with similar activities.

§3 Registered office

The registered office of the Company is situated in Oslo.

§4 The company's share capital

The Company's share capital is NOK 74,422,849.80 divided into 744,228,498 shares each having a par value of NOK 0.10.

§5 The company's governance

The Company's board of directors shall consist of from three to nine members, as decided by the general meeting. The board may grant powers of procuration.

§6 The general meeting

The ordinary general meeting shall consider and decide:

1 Adoption of the annual financial statement and report of the board of directors, including the declaration of a dividend.

2 Election of chairman and members of the nomination committee, and determination of remuneration to the members of the nomination committee.

3 Any other business required by the laws or the articles of association to be transacted by the general meeting.

The general meetings of the Company shall as a general rule be conducted in the Norwegian language. However, the board of directors may decide that the English language shall be used.

§7 Exemption from requirements to submit documents with notice of general meeting

Documents which timely have been made available on the Internet site of the Company, and which deal with matters that are to be handled at the general meeting, do not need to be sent to the Company's shareholders.

§8 Registration for general meeting

A shareholder who wishes to attend the general meeting, in person or by proxy, shall notify its attendance to the Company no later than two days prior to the general meeting. If the shareholder does not notify the Company of its attendance in a timely manner, the Company may deny the shareholder access to the general meeting.

§9 Nomination committee

a Ensurge Micropower ASA shall have a nomination committee. The nomination committee shall have three members, including a chairman. Members of the nomination committee shall be elected by the AGM for a term of two years.

a The nomination committee shall:

- Propose candidates for election to the Board of Directors
- Propose the remuneration to be paid to the Board members
- Propose candidates for election to the nomination committee
- Propose the remuneration to be paid to the nomination committee members

a The mandate of the nomination committee shall be resolved by the AGM.

§10 Relation to the Norwegian public limitied companies act

Reference is also made to the legislation concerning public limited companies in force at the relevant time.

Board of Directors

Morten Opstad
Chairman

MORTEN OPSTAD has served as Ensurge board chair since 2006. He is a partner in Advokatfirmaet Ræder AS in Oslo, Norway. Morten has been a legal and strategic advisor to multiple successful companies in the technology sector and has guided growth from early entrepreneurial stages to stock exchange listings. He currently serves as board chair of IDEX Biometrics ASA, listed on Oslo Børs and Nasdaq. Mr. Opstad holds a legal degree (Cand. Jur.) from the University of Oslo and was admitted to the Norwegian Bar Association in 1986. He is a Norwegian citizen and resides in Oslo.

Victoire de Margerie
Board Member

VICTOIRE DE MARGERIE has spent 35 years in the Materials Industry in Canada, France, Germany, the United Kingdom and the United States, first as an Executive, since 2003 as a Board Director (now Arkema, previously Babcock, Italcementi, Morgan Ceramics, Outokumpu & Norsk Hydro) and since 2015 as Founder & Vice Chairman of the World Materials Forum. Since 2012 she has been the Executive Chairperson / Main Shareholder of Rondol Industrie, a deep technology startup that develops extrusion machinery for drug formulations and other high tech applications. Prof. de Margerie also joined the board and investment committee of the private equity fund Eurazeo in 2012, was elected an Academician at the National Academy of Technologies of France in 2019 and joined the board of Mines ParisTech in 2021. She graduated from HEC Paris and Sciences Po Paris and holds a PhD in Management Science from Université de Paris 2, Pantheon Assas. Victoire is a French citizen and resides in France.

Tomas Persson
Board Member

TOMAS PERSSON is a Founder and Chairman of HealthTextiles i Sverige AB. HealthTextiles has been selected into EIT Health's Bridgehead programme and was awarded by Ahlgrens Foundation in 2018 & 2020 as one of the most innovative startups in the Gävleborg region. Tomas is also Chairman of the Stiftelsen Textil Design Skolan i Sandviken, Textil Design Skolan i Sandviken AB, Chairman of Halvard Ventures AB, and Managing Director and Board of Director of HorseWealth AB. After his MBA, he worked five years at Inter IKEA Systems in Waterloo outside Brussels. He also worked as Management Consultant at Ericsson Data / Ericsson Business Consulting, Business Developer at Information Highway and Advisor in Corporate Strategy at Telia prior to his MBA. Mr. Persson holds an MBA from Harvard Business School and graduated Summa Cum Laude in Bachelor of Science in Business Administration, concentrations in Finance & Insurance and International Business, at Northeastern University. He is a Swedish citizen and resides in Gävle, Sweden.

Executive Management

Mark Newman
Interim Chief Executive Officer

MARK NEWMAN is a renowned expert, advisor and investor in batteries, semiconductors and electric vehicles. Since May 2022, Mark served as Board Director of Ensurge until being appointed Interim CEO in early February. Mark was the top ranked analyst and lead author of Bernstein's all time most read research globally, "Electric Revolution" and "Battery Bible" and is a frequent speaker and commentator on these topics. He is also founder of Electric Revolution Ventures.

Mark was seed investor and until recently Chief Commercial Officer and Head of Strategy at fast-charge battery pioneers, Nyobolt. And he continues to help Nyobolt ramp up as senior advisor. He is an active investor in several other start-ups and advisor to Ivanhoe Capital Acquisition and SES.ai, that recently combined and listed on the NYSE. Mark also advises other investors and serves on the Board of the Faraday Institution (the UK's flagship battery research program).

Mark previously spent over a decade as Managing Director and Senior Analyst covering technology at Bernstein, where he spearheaded the Electric Revolution thematic research covering batteries, semiconductors and the entire electric vehicle value chain. Prior to Bernstein, Mark worked at Samsung in Korea, where he led several strategic initiatives, venture investments and acquisitions. He also worked at Applied Materials in California, supporting the world's leading semiconductor manufacturing companies in the United States, Europe and Asia.

Mark holds a Master's in Chemical Engineering from University College London, and an MBA from Harvard Business School.

Dr. Arvind Kamath
EVP Technology Development

DR. ARVIND KAMATH joined Ensurge in January 2014 from Kovio, Inc., where he served as Sr. Director, Technology Development. At Ensurge, he has built and led several teams in the areas of technology development, engineering, and operations. Most recently, he was responsible for the flexible substrate roll-to-roll PDPS (Printed Dopant Polysilicon) manufacturing scale-up and led the development of a global enabling ecosystem. At Kovio, Dr. Kamath led materials and process development and integration of a revolutionary printed electronics platform based on silicon ink, from feasibility to qualification and yield enhancement. Prior to Kovio, he worked at LSI Logic in various managerial and specialist roles, including process engineering, group management, R&D operations, SRAM integration and yield enhancement. Dr. Kamath earned a B.Tech degree in Metallurgical Engineering from the Indian Institute of Technology, Chennai and a Ph.D in Materials Science and Engineering from the microelectronics program at The University of Texas - Austin.

JAY TU joined Ensurge in October 2021 and leads all aspects of manufacturing, supply chain, and quality. He brings more than 20 years of experience in high-tech manufacturing and operations and has scaled up multiple semiconductor, assembly, and roll-based technologies and products into high-volume production. Most recently, he served as vice president, operations at RFID leader Alien Technology, where he built a global supply chain to support a billion-uni business. Jay holds a Ph.D. in electrical engineering from the University of California, Berkeley.

Jay Tu
VP Operations

SHANNON FOGLE joined Ensurge in January 2014 from Kovio, Inc. She leads the Company's human resources and administrative functions. Ms. Fogle led the human resources functions at Kovio from 2007 until 2014. Prior to Kovio, Ms. Fogle worked in various operations roles at Spansion and Advanced Micro Devices. Shannon holds a Bachelor of Science degree in Business Management from San Jose State University and is Certified by the Society of Human Resource Management.

Shannon Fogle
VP Global Human Resources
& Administration

Annual Report 2022

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