

Ensurge Micropower ASA

# Third Quarter 2021

Interim Report and  
Financial Statements



**ENSURGE**<sup>™</sup>  
MICROPOWER

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# About Ensurge

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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 batteries 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 is a publicly listed company in Norway with corporate headquarters in Oslo and global headquarters in San Jose, California.

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# Business Review

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Product development accelerated in the third quarter as we progressed from developing and validating individual unit cells to successfully integrating multiple-unit cells ('multi-cells'), packaging these into complete MicroBatteries, and testing them. Multi-cell construction involves not just mechanical stacking, but also materials and process integration. Selection and manufacturing integration of lithium-compatible packaging materials while achieving high energy densities is a complex and multi-step effort including encapsulation, metallization, dipping, and plating. This approach allows Ensurge to be the only solid-state MicroBattery company to deliver MicroBatteries with single- and double-digit milliamp-hour capacity with high volumetric energy density. Packaging and testing of integrated multi-cells is a significant milestone for the company, as the focus has shifted from developing and integrating the unit cells to packaging and testing MicroBatteries.

The market for personal electronics, especially hearables and wearables, continued to boom in the third quarter, validating Ensurge's focus on these markets. Our work with customers and prospects continued on multiple fronts. First, following the reopening of key international borders, we were able to meet several of our customers face-to-face, cementing relationships and continuing ongoing work to integrate Ensurge products into future designs.

Second, we executed a customer agreement with a second leader in the medical hearables market, expanding Ensurge's existing footprint within this important vertical. Looking forward, Ensurge is actively engaged with several prospects in the medical wearables and industrial markets, with multiple proposals currently in negotiation. Ensurge brings significant form-factor and volumetric energy density benefits to these companies. In some cases, a potential customer's planned products are viable

only with the unique form-factor and architectural advantages of Ensurge solid-state MicroBatteries.

We strengthened the executive team with the addition of Jay Tu as Vice President, Operations. Jay comes to Ensurge with more than two decades of experience in running high-yield, high-volume manufacturing operations for roll-to-roll based products. Jay holds a Ph. D. in Electrical Engineering from the University of California, Berkeley and will drive Ensurge's transition from product development to initial revenue shipments and high-volume manufacturing.

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# Outlook

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The Company's product focus has progressed from unit-cell and integrated multi-cell battery development to packaging, testing, and shipping of complete MicroBatteries. Ensurge is now focused on test and optimization activities to validate key performance characteristics ahead of initial shipments to customers. We remain on track to complete initial sample shipments in the fourth quarter.

Following installation and validation of the packaging and test equipment required to enable initial customer samples, we plan to install further production-grade tools and equipment in the fourth quarter, with expected qualification in Q1 2022 to support the transition to volume production.

To support our commercialization timeline, we plan to increase marketing activities with a focus on building thought leadership in solid-state MicroBatteries. This market and category deserve attention based on the significant current volumes in hearables, wearables, and connected sensors as well as exciting new applications, such as next-generation medical devices, that are possible only with solid-state technology. The Company plans to publish a series of blogs, social media campaigns, and high-impact videos in the coming months. We are also preparing for launch of the Ensurge MicroBattery in Q1 2022 as we make samples available to the broader market and move closer to production.

Following the initial ramp of sample shipments, we expect a double-digit number of customers evaluating Ensurge MicroBatteries in Q1 2022 in anticipation of the Company's planned production and revenue ramps.

# Condensed Consolidated Financial Report as of 30 September 2021

Following the announcement of its SSLB strategy in January 2020, Ensurge's business activities have been organized around the priorities of achieving technical success in SSLB development, enabling manufacturing scale in the Company's roll-to-roll factory, securing market interest in the Company's differentiated capabilities and products, and deploying a financial model that is optimized to support the Company's critical technical and market development milestones.

The Company pursues a focused hiring strategy in support of critical technology development, manufacturing, and go-to-market milestones. The Company's operating plans are designed to fully support the activities necessary to achieve technical and market objectives while preserving cash.

## Profit and Loss

Ensurge had zero sales revenue in the first nine months of 2021, compared to USD 492 thousand during the same period last year. For the first nine months of 2020, the USD 492 thousand represented the sale of the EAS on-hand finished goods inventory that had been prepaid by the customer in December 2019 and delivered in January 2020.

Operating costs amounted to USD 14,416 thousand during the first nine months of 2021, including the notional cost of share-based compensation of USD 3,552 thousand. The corresponding figures for the same period last year were USD 9,137 thousand and USD 234 thousand, respectively. The increase in operating costs during the first nine months of 2021, compared to the same period of 2020, USD 11,335 thousand, was primarily attributable to payroll costs and share-based compensation. The expenses by major category are as follows:

1 USD 2,784 thousand higher payroll cost.

2 USD 3,318 thousand higher 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 399 thousand lower services costs.

4 USD 424 thousand lower other expenses.

The company focused R&D efforts towards achieving technical success in solid-state lithium battery technology development. During the first nine months of 2021, R&D spending was USD 2,304 thousand compared to USD 692 thousand for the same period in 2020.

Investments in fixed and intangible assets during the first nine months of 2021 totaled USD 1,591 thousand, compared to USD 239 thousand during the same period of 2020.

Net financial items for the first nine months of 2021 amounted to an expense of USD 10,641 thousand (First nine months of 2020: USD 11,770 thousand expense) and were mainly related to changes in warrant liability.

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 the first nine months of 2021, nor in the same period of the prior year. 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 for the first nine months of 2021 was USD 25,095 thousand, corresponding to a basic loss per share of USD 0.02. During the same period of 2020, the loss amounted to USD 20,613 thousand, corresponding to a basic loss per share of USD 0.08.

## Cash Flow

The group's cash balance increased by USD 7,260 thousand during the first nine months of 2021, compared to a decrease of USD 1,825 thousand during the same period last year. The net increase in cash balance is explained by the following principal elements:

- 1 USD 10,789 thousand outflow from operating activities,
- 2 USD 1,591 thousand outflow from investing activities, and
- 3 USD 19,639 thousand inflow from financing activities.

The USD 10,789 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation, amortization and impairment charges of USD 14,416 thousand. The cash balance on 30 September 2021 amounted to USD 13,050 thousand, while the cash balance on 30 September 2020 amounted to USD 7,047 thousand. The cash balance at 30 September 2021 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. (See Note 11. Current and long-term debt for further detail).

## Balance Sheet

Non-current assets amounted to USD 1,817 thousand (30 September 2020: USD 854 thousand). The increase in non-current assets from 30 September 2020 to 30 September 2021 was mainly due to investment in fixed assets. Trade and other receivables amounted to USD 1,416 thousand as of 30 September 2021 (30 September 2020: USD 1,286 thousand). The increase relates mainly to a temporary VAT receivable. Non-current liabilities as of 30 September 2021 totaled USD 18,118 thousand (30 September 2020: 23,051 thousand) and relates to future lease payments for the Junction Avenue, San Jose, California premises and long-term debt relating to an equipment term loan facility with Utica. The equity ratio was negative 53 percent as of 30 September 2021, versus negative 420 percent as of 30 September 2020.

# Principal Risks

Ensurge is exposed to various risks of a financial and operational nature. The extraordinary current risks of the pandemic and its effect on the world economy are affecting everyone.

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 30 September 2021, the Company had a cash balance of approximately USD 13.1 million, including restricted cash of approximately USD 1.6 million. To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market. 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 on Ensurge's sheet line, as well as technology transfer to and scale-up activities related to Ensurge's roll-to-roll line, 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. We do not sell any products to end users, and we do not control or influence the manufacture, promotion, distribution, or pricing of the products that incorporate our solutions. Instead, we design various devices and products that our OEM customers incorporate into their products, and we depend on such OEM customers to successfully manufacture and distribute products incorporating our solutions and to generate consumer demand through marketing and promotional activities. As a result of this, our success depends almost entirely upon the widespread market acceptance of our OEM customers' products that incorporate our devices. Even if our technologies successfully meet our customers' price and performance goals, our sales could fail to develop if our customers do not achieve commercial success in selling their products that incorporate our devices.

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. 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.

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# Going Concern

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

As of the date of this report, the group and parent company have sufficient funds to support operations into the first quarter of 2022.

To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market. 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. To address the funding requirements of the group, the board of directors has, since early Q1 2020, undertaken the following initiatives:

- Secured equity funding approved by the shareholders at the 20 May 2020 Extraordinary General Meeting, equity funding approved by the shareholders at the 19 August 2020 Extraordinary General Meeting, and a private placement completed on 1 March 2021
- 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. Based on this, it is appropriate to prepare the financial statements on the going concern basis.

To raise funds in support of business activities in 2020 and 2021, the company issued three classes of warrants, all now expired as of the date of this report, as part of the private placement and subsequent offering approved in the Extraordinary General Meeting of 20 May 2020 and the private placement and subsequent offering approved in the Extraordinary General Meeting of 19 August 2020:

- Warrant A, which expired on 31 December 2020. Warrants A raised a total of approximately NOK 30 million.
- Warrant B, which expired on 20 August 2021. Warrants B raised a total of approximately NOK 68 million.
- Warrant C, which expired on 30 June 2021. Warrants C raised a total of approximately NOK 94 million.

# Ensurge Micropower ASA Group

## Consolidated Financial Statements

### Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 July – 30 September 2021	1 January – 30 September 2021	1 July – 30 September 2020	1 January – 30 September 2020	1 January – 31 December 2020
Sales revenue		—	—	—	492	492
Other income		—	—	17	21	21
<b>Total revenue &amp; Other Income</b>		—	-	<b>17</b>	<b>513</b>	<b>513</b>
Operating costs	9,10	(5,974)	(14,416)	(3,081)	(9,137)	(12,531)
Depreciation and amortization		(12)	(38)	(8)	(9)	(22)
<b>Operating profit (loss)</b>		<b>(5,986)</b>	<b>(14,454)</b>	<b>(3,072)</b>	<b>(8,634)</b>	<b>(12,040)</b>
Net financial items	12	1,825	(10,641)	(9,249)	(11,770)	(26,753)
Profit (loss) before income tax		(4,161)	(25,095)	(12,321)	(20,404)	(38,794)
Income tax expense		—	—	—	—	—
<b>Profit (loss) for the period</b>		<b>(4,161)</b>	<b>(25,095)</b>	<b>(12,321)</b>	<b>(20,404)</b>	<b>(38,794)</b>
<b>Profit (loss) attributable to owners of the parent</b>		<b>(4,161)</b>	<b>(25,095)</b>	<b>(12,321)</b>	<b>(20,404)</b>	<b>(38,794)</b>
Profit (loss) per share basic and diluted	6	(USD 0.03)	(USD 0.02)	(USD 0.02)	(USD 0.08)	(USD 0.10)
Profit (loss) for the period		(4,161)	(25,095)	(12,321)	(20,404)	(38,794)
Currency translation		—	—	(161)	(209)	555
<b>Total comprehensive income for the period, net of tax</b>		<b>(4,161)</b>	<b>(25,095)</b>	<b>(12,482)</b>	<b>(20,613)</b>	<b>(38,239)</b>

## Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	30 September 2021	30 September 2020	31 December 2020
<b>ASSETS</b>	7			
<b>Non-current assets</b>				
Property, plant and equipment	3	1,817	239	226
Other financial receivables	8	574	615	573
<b>Total non-current assets</b>		<b>2,391</b>	<b>854</b>	<b>799</b>
<b>Current assets</b>				
Inventory		—	—	—
Trade and other receivables	8	1,416	1,286	1,140
Cash and cash equivalents (i)	11	13,050	7,047	5,790
<b>Total current assets</b>		<b>14,466</b>	<b>8,333</b>	<b>6,930</b>
<b>TOTAL ASSETS</b>		<b>16,857</b>	<b>9,187</b>	<b>7,729</b>
<b>EQUITY</b>	5			
<b>Total Shareholder's Equity</b>		<b>(8,880)</b>	<b>(38,597)</b>	<b>(46,865)</b>
<b>LIABILITIES</b>	7			
<b>Non-current liabilities</b>				
Long-term debt	11	6,881	10,574	9,709
Long-term financial lease liabilities	11	11,236	12,477	12,175
<b>Total non-current liabilities</b>		<b>18,118</b>	<b>23,051</b>	<b>21,884</b>
<b>Current liabilities</b>				
Trade and other payables		3,927	3,431	3,445
Warrants liability (ii)	12	0	18,676	26,020
Current portion of long-term debt	11	3,692	2,626	3,245
<b>Total current liabilities</b>		<b>7,619</b>	<b>24,733</b>	<b>32,710</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,857</b>	<b>9,187</b>	<b>7,729</b>

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

(ii) The warrants liability is valued at fair value in accordance with International Financial Reporting Standards ("IFRS"). There are no circumstances in which the Corporation would be required to pay any cash upon exercise or expiry of the warrants. See Note 12.

## Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2021	12,014	(47)	(13,801)	(45,032)	(46,865)
Share based compensation	—	3,062	—	—	3,062
Warrant exercises and Private Placement and subsequent offerings, total (approved 20 May and 19 August 2020)	8,819	44,925	—	—	53,744
Private Placement (March 2021)	897	5,377	—	—	6,274
Comprehensive income	—	—	—	(25,095)	(25,095)
<b>Balance at 30 September 2021</b>	<b>21,731</b>	<b>53,318</b>	<b>(13,801)</b>	<b>(70,127)</b>	<b>(8,880)</b>
Balance at 1 January 2020	18,660	—	(14,356)	(23,964)	(19,660)
Reduction of share capital by reduction of PAR	(17,726)	—	—	17,726	—
Share based compensation	—	222	—	—	222
Warrant exercises and Private Placement and subsequent offerings, total (approved 20 May and 19 August 2020)	7,577	(5,357)	—	—	2,220
Comprehensive income	—	—	(975)	(20,404)	(21,379)
<b>Balance at 30 September 2020</b>	<b>8,511</b>	<b>(5,135)</b>	<b>(15,331)</b>	<b>(26,642)</b>	<b>(38,597)</b>
Balance at 1 January 2020	18,660	—	(14,356)	(23,964)	(19,660)
Reduction of share capital by reduction of PAR	(17,726)	—	—	17,726	—
Share based compensation	—	626	—	—	626
Warrant exercises and Private Placement and subsequent offerings, total (approved 20 May and 19 August 2020)	11,081	(672)	—	—	10,409
Comprehensive income	—	-	555	(38,794)	(38,239)
<b>Balance at 31 December 2020</b>	<b>12,014</b>	<b>(47)</b>	<b>(13,801)</b>	<b>(45,032)</b>	<b>(46,865)</b>

## Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 July – 30 September 2021	1 January – 30 September 2021	1 July – 30 September 2020	1 January – 30 September 2020	1 January – 31 December 2020
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Profit (loss) before tax		(4,161)	(25,095)	(12,321)	(20,404)	(38,794)
Share-based payment (equity part)	5	2,461	3,552	75	222	626
Depreciation and amortization	3,4	709	735	8	9	23
Write down inventory, machinery and intangible assets		(697)	(697)	—	—	
Loss/(gain) on sale of fixed assets		—	—	—	89	(50)
Changes in working capital and non-cash items		(710)	75	(307)	(851)	(495)
Net financial items		(1,825)	10,641	9,249	11,770	26,803
<b>Net cash from operating activities</b>		<b>(4,222)</b>	<b>(10,789)</b>	<b>(3,296)</b>	<b>(9,165)</b>	<b>(11,886)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment	3	(388)	(1,591)	(183)	(248)	(248)
Proceeds from sale of fixed assets		—	—	—	—	(89)
Interest received		1	1	1	26	27
<b>Net cash from investing activities</b>		<b>(387)</b>	<b>(1,591)</b>	<b>(182)</b>	<b>(222)</b>	<b>(310)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from issuance of shares	5	14,034	25,199	7,959	10,601	13,259
Interest paid	4	(728)	(2,241)	(852)	(2,318)	(3,185)
Lease payments	4	(2,699)	(3,319)	(245)	(721)	(960)
<b>Net cash from financing activities</b>		<b>10,607</b>	<b>19,639</b>	<b>6,862</b>	<b>7,562</b>	<b>9,114</b>
<b>Net increase (decrease) in cash and bank deposits</b>		<b>5,997</b>	<b>7,260</b>	<b>3,384</b>	<b>(1,825)</b>	<b>(3,082)</b>
Cash and bank deposits at the beginning of the period		7,053	5,790	3,663	8,872	8,872
<b>Cash and bank deposits at the end of the period (i)</b>		<b>13,050</b>	<b>13,050</b>	<b>7,047</b>	<b>7,047</b>	<b>5,790</b>

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

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# Notes to the Consolidated Financial Statements

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## 1. Information about the group

Ensurge Micropower ASA (“Ensurge” or “the Company”) was founded as Thin Film Electronics AS (“Thinfilm”) on 22 December 2005 and was renamed to Ensurge Micropower. The Company’s name change to Ensurge Micropower ASA was approved by shareholders at the Annual General Meeting on 3 June 2021 and registered with the Norwegian Register of Business Enterprises on 4 June 2021. Ensurge Micropower ASA Group (“Ensurge”) consists of the parent company Ensurge ASA and the subsidiaries Ensurge Micropower Inc. (“Ensurge Inc.”) and TFE Holding (“Thinfilm Holding.”) The group was formed on 15 February 2006, when Thin Film Electronics ASA purchased the business and assets, including the subsidiary Thinfilm Electronics AB, from Thin Film OldCo AS (“OldCo”).

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 Fridtjof 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. On 23 June 2020 the Company’s US listing transferred to the OTCQB Venture Market. 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 ENMPY.

## 2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the third quarter of 2021 has been prepared in accordance with IAS 34 interim financial reporting. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2020. The IFRS accounting policies applied in this condensed consolidated interim financial report are in all materiality consistent with those applied and described in the consolidated annual financial statements for 2020. The interim financial statements have not been subject to audit.

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. Per the date of this report, the group and the parent company have sufficient funds to support operations into the first quarter of 2022.

To continue to fund the Company’s activities further into 2022, the Company intends to seek additional funds from the investor market. 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 Interim Report.

The report was resolved by the Ensurge Micropower ASA Board of Directors on 16 November 2021.

### 3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
<b>Period ended 30 September 2021</b>	
Net value on 1 January 2021	226
Additions	1,603
Depreciation	(12)
<b>Net book value on 30 September 2021</b>	<b>1,817</b>
<b>Period ended 30 September 2020</b>	
Net value on 1 January 2020	—
Additions	248
Depreciation	(9)
<b>Net book value on 30 September 2020</b>	<b>239</b>
<b>Period ended 31 December 2020</b>	
Net value on 1 January 2020	—
Additions	248
Disposals	(333)
Impairments	333
Depreciation	(22)
<b>Net book value on 31 December 2020</b>	<b>226</b>

### 4. Right-of-use

The Company entered into a lease agreement in November 2016 relating to the property building of its US headquarters in San Jose, CA. The lease in San Jose expires in September 2028.

	Lease liability
Lease liability recognized at 1 January 2021	13,244
Lease payment (see note below)	(1,470)
Interest expense	702
<b>Lease liability as of 30 September 2021</b>	<b>12,477</b>

In the statement of cash flow, principal portions of lease payments are included in line “Lease payment” with an amount of USD 768 thousand, and interest portions of the payments are included in line “Interest paid” with an amount of USD 702 thousand. Both of them are presented as cash flow from financing activities.

For maturity schedule of minimum lease payments, see Note 11.

### 5. Shares, warrants and subscription rights

Number of shares	
Shares at 1 January 2021	985,548,186
<b>Shares at 30 September 2021</b>	<b>1,746,497,852</b>
Shares at 1 January 2020	58,593,581
<b>Shares at 31 December 2020</b>	<b>985,548,186</b>



Number of subscription rights	1 January – 30 September 2021	1 January– 30 September 2020	1 January– 31 December 2020
Subscription rights opening balance	84,168,580	5,373,230	5,373,230
Grant of incentive subscription rights	115,173,352	73,963,440	81,363,440
Terminated, forfeited and expired subscription rights	(7,812,563)	(1,461,891)	(2,568,090)
<b>Subscription rights closing balance</b>	<b>191,529,369</b>	<b>77,874,779</b>	<b>84,168,580</b>

Number of warrants	1 January– 30 September 2021	1 January – 30 September 2020	1 January – 31 December 2020
Warrants opening balance	717,651,036	—	—
Allotment of warrants	—	982,351,512	982,351,512
Exercise and expiry of warrants	(717,651,036)	(3,844,890)	(264,700,476)
<b>Warrants closing balance</b>	<b>0</b>	<b>978,506,622</b>	<b>717,651,036</b>

On 1 March 2021, the Company announced the completion of a private placement of 68,922,869 shares at a subscription price of NOK 0.82 per share, resulting in gross proceeds of NOK 56,517 thousand.

## 6. Profit (loss) per share

	1 January – 30 September 2021	1 January – 30 September 2020	1 January – 31 December 2020
Profit (loss) attributable to shareholders (USD 1000)	(25,095)	(20,613)	(38,794)
Weighted average basic number of shares in issue	1,240,826,566	248,238,461	393,183,402
Weighted average diluted number of shares	1,240,826,566	248,238,461	393,183,402
<b>Profit (loss) per share, basic and diluted</b>	<b>(USD 0.02)</b>	<b>(USD 0.08)</b>	<b>(USD 0.10)</b>

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.

The weighted average basic and diluted number of shares have been adjusted to reflect the reserve share split resolved by the extraordinary general meeting of the Company on 23 October 2019.

## 7. Guarantees

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 Guarantee with the landlord. The guarantee is 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 30 September 2021, the guarantee liability amounted to USD 3,500 thousand.

## 8. Trade and other receivables

Amounts in USD 1,000	30 September 2021	30 September 2020	31 December 2020
Accounts receivable	—	37	—
VAT-related receivables	404	72	201
Pre-payments to suppliers	1,012	1,173	926
Other current receivables	—	4	13
<b>Sum</b>	<b>1,416</b>	<b>1,286</b>	<b>1,140</b>

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

## 9. Operating costs

Amounts in USD 1,000	1 January – 30 September 2021	1 January – 30 September 2020	1 January – 31 December 2020
Payroll	5,366	2,582	4,766
Share-based remuneration	3,552	234	679
Services	1,509	1,908	1,808
Premises, supplies	2,999	2,199	3,270
Sales and marketing	138	32	65
Other expenses	853	2,182	1,943
<b>Total operating costs</b>	<b>14,416</b>	<b>9,137</b>	<b>12,531</b>

## 10. Related party transactions

In the period 1 January to 30 September 2021 and 2020, Ensurge recorded USD 294 thousand and USD 329 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which Ensurge's Chairman is a partner.

In the period 1 January to 30 September 2021, Ensurge recorded USD 116 thousand for advisory services from Acapulco Advisors AS, a shareholder of Ensurge.

The amount outstanding in Trade and other payables as of 30 September 2021 amounted to USD 40 thousand.

## 11. Current and long-term debt

In September 2019, the US subsidiary, Ensurge Micropower, Inc., closed an equipment term loan facility with Utica Leaseco, LLC for USD 13,200 thousand, secured by select fixed assets (see Note 3).

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 2021 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.

At 30 September 2021, the current portion of the loan principal is USD 3,692 thousand. The long-term portion of the principal of USD 6,881 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position.

The Company has pledged its roll-to-roll production line equipment, certain sheet-line tools, and certain intellectual property as collateral against the Utica loan. Book value of assets pledged is zero.

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. The land element of the lease became classified as a lease liability from 1 January 2019. 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 30 September 2021, the guarantee liability amounted to USD 3,500 thousand.

The San Jose, California lease is reflected under this caption and the table below. In addition, see Note 4.

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

### Maturity schedule – liabilities

30 September 2021	1 year	2–3 years	3–4 years	4–5 years	Over 5 years
Principal obligations due	5,090	4,203	3,663	—	—
Interest payments	1,707	1,042	271	—	—
Lease payments	1,737	1,787	1,839	1,893	6,014
<b>Total current and long-term debt</b>	<b>8,534</b>	<b>7,032</b>	<b>5,773</b>	<b>1,893</b>	<b>6,014</b>

## 12. Warrants liability

In connection with the Extraordinary General Meeting held on 20 May 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The private placement and issuance of 227,272,727 new shares, resulted in two (2) warrants (“Warrants”) issued to such subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, (“Warrant A”), expired on 31 December 2020. The second tranche of warrants, totaling 227,272,727 warrants (“Warrant B”), expired on 20 August 2021. At the time of issue, the value of these warrants was determined to be USD 17,912 thousand based on the Black-Scholes valuation model.
- 2 The subsequent offering and issuance of 63,636,363 shares, resulted in two (2) warrants issued to such subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants (“Warrant A”), expired on 31 December 2020. The second tranche of warrants, totaling 63,636,363 warrants (“Warrant B”), expired on 20 August 2021. At the time of issue, the value of these warrants was determined to be USD 3,725 thousand based on the Black-Scholes valuation model.

At the Extraordinary General Meeting held on 19 August 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The Company completed a private placement of 333,866,666 shares. For each private placement share a warrant was attached and issued to each subscriber. A total of 333,866,666 warrants (“Warrant C”), expired on 30 June 2021. At the time of issue, the value of these warrants was determined to be USD 6,063 thousand based on the Black-Scholes valuation model.
- 2 The subsequent offering and issuance of 66,666,666 shares resulted in 66,666,666 warrants issued to each subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The warrants, totaling 66,666,666 warrants (“Warrant C”), expired on 30 June 2021. At the time of issue, the value of these warrants was determined to be USD 1,690 thousand based on the Black-Scholes valuation model.

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 will be received by the Company are not fixed and will vary based on foreign exchange rates. The warrants are a derivative and are required to be recognized and measured at fair value at each reporting period. Any

changes in fair value from period to period are 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 will pay 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. 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 30 September 2021	As of 30 September 2020	As of 31 December 2020
Opening Balance	\$26,020	\$—	\$—
Warrants Issued	—	29,389	29,389
Warrants Exercised	(34,638)	(1,016)	(7,326)
Change in fair value of warrant liability	8,637	(6,224)	6,118
Ending Balance	19	22,149	28,181
Deferred loss	(19)	(3,473)	(2,161)
Warrants liability	0	18,676	26,020

The fair value of the warrants was calculated using the Black-Scholes valuation model. The inputs used in the Black-Scholes valuation model are:

Private Placement and Subsequent Offering as approved on 20 May 2020	As of 30 September 2021	As of 30 September 2020	As of 31 December 2020
		Warrant A	
Share price		NOK 0.39	
Exercise price		NOK 0.11	
Expected term (in years)		0.25	
Expected share price volatility		85.76%	
Annual rate of quarterly dividends		0.00%	
Risk-free interest rate		-0.080%	
Warrant expiration date		31 December 2020	

  

	Warrant B	Warrant B	Warrant B
Share price	NOK 0.39	NOK 0.39	NOK 0.56
Exercise price	NOK 0.25	NOK 0.25	NOK 0.25
Expected term (in years)		0.89	0.64
Expected share price volatility		146.12%	113.76%
Annual rate of quarterly dividends		0.00%	0.00%
Risk-free interest rate		-0.080%	0.031%
Warrant expiration date	20 August 2021	20 August 2021	20 August 2021

Private Placement and Subsequent Offering as approved on 19 August 2020	As of 30 September 2021	As of 30 September 2020	As of 31 December 2020
		Warrant C	Warrant C
Share price		NOK 0.56	NOK 0.56
Exercise price		NOK 0.25	NOK 0.25
Expected term (in years)		0.75	0.50
Expected share price volatility		150.93%	82.81%
Annual rate of quarterly dividends		0.00%	0.00%
Risk-free interest rate		-0.08%	0.02%
Warrant expiration date		30 June 2021	30 June 2021

See Note 5 for more details.