Ensurge Micropower ASA

Fourth Quarter 2021

Interim Report and Financial Statements

Contents

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About Ensurge

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.

Business Review

Ensurge made great progress in 2021 building high performance solid state microbatteries using our novel and proprietary architecture within our roll-to-roll (R2R) facility in San Jose. The combination of our anode-less solid-state chemistry, 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. Throughout the past year, despite the challenges presented by an unprecedented global pandemic, the Ensurge team worked with purpose and commitment to achieve milestones in technology development, manufacturing readiness, and market development.

In January, the Company announced its Microbattery Product Platform (MPP) and first product based on customer requirements for energy dense, long-lived, and fundamentally safe energy storage. The platform is 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. By April the Company confirmed expected key performance parameters of its first prototype cells.

By mid-year, Ensurge had successfully validated - ahead of schedule - the operational readiness of the full toolset required to implement the Company's baseline manufacturing necessary for scale-up of its SSLB technology. In addition, the Company had ordered the initial tool conversions necessary to support the process transfer from the baseline sheet-based process development line to the roll-to-roll production line.

Also, the Company had confirmed depositing battery materials on ultrathin 10-micron steel substrates, with the Company's roll-to-roll equipment with expected performance. The combination of ultrathin steel substrates and roll-based manufacturing is fundamental to the Company's advantages in volumetric energy density and manufacturing scalability.

During the third quarter the Company installed and qualified equipment necessary to initiate development of the packaging of microbattery products, allowing product development to begin to progress from developing and validating individual unit cells to integrating multiple-unit cells ('multi-cells'), packaging these into complete microbatteries. Microbattery construction comprised of multi-cells is a complex and multi-step process involving manufacturing integration of lithium-compatible packaging materials enabling high energy densities assembled by stacking, encapsulation, metallization, and plating.

During the fourth quarter the Company continued its product development progress demonstrating working batteries using both sheet based and roll based unit-cells. The Company is expecting to ship functional samples in the short term as it advances its packaging process optimization and overall battery integration efforts.

In addition, further improvements were made in preparing the roll-to-roll line for volume manufacturing with upgrades to our tools optimizing them for SSLB production. The company also received its automated metallization tool and is in the final stages of qualification. And finally, critically important, our cycles of learning have more than doubled, significantly accelerating our rate of optimization. We remain actively engaged with our customers, and recently provided mechanical samples to customers to validate the processes of integrating the Ensurge Microbattery into their products.

The Company recently announced two customer agreements including one with a Fortune 500 industrial company active in manufacturing capital equipment and the second with a leader and innovator in the digital health market. Ensurge will deliver solid-state microbatteries optimized for the customers' specific applications. Agreement with the digital health customer includes delivery of Ensurge microbatteries for production starting in the fourth quarter of 2022. The Company now has five customer agreements including three existing ones with two leaders in hearables and one Fortune 500 wearable products company.

Outlook

As Ensurge enters 2022 our customer engagements continue to provide enthusiastic validation that the benefits of the Ensurge microbatteries 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 short 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 2022 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, with multiple proposals currently in negotiation.

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, 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.

Condensed Consolidated Financial Report as of December 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 2021, compared to USD 492 thousand during 2020. For 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 19,530 thousand during 2021, including the notional cost of share-based compensation of USD 4,388 thousand. The corresponding figures for 2020 were USD 12,531 thousand and USD 626 thousand, respectively. The increase in operating costs during 2021, compared to 2020, USD 6,999 thousand, was primarily attributable to the increase in payroll costs and share-based compensation. The expenses by major category are as follows:

1 USD 2,541 thousand higher payroll cost.

2 USD 4,254 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 643 thousand higher premises and supplies costs.

4 USD 439 thousand lower other expenses.

The company focused R&D efforts towards achieving technical success in solid-state lithium battery technology development. During 2021, R&D spending was USD 2,976 thousand compared to USD 2,223 thousand for 2020.

Net financial items for the 2021 amounted to an expense of USD 11,386 thousand (2020: USD 26,753 thousand expense). Net financial items were primarily expenses of USD 8,800 thousand in 2021 and USD 23,168 thousand in 2020 related to the issuance of Warrants A, B and C.

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 2021, nor in 2020. 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 2021 was USD 30,964 thousand, corresponding to a basic loss per share of USD 0.02. For 2020, the loss was USD 38,239 thousand, corresponding to a basic loss per share of USD 0.10.

Cash Flow

The group's cash balance increased by USD 1,063 thousand during 2021, compared to a decrease of USD 3,082 thousand during 2020. The net increase in cash balance is explained by the following principal elements:

1 USD 14,580 thousand outflow from operating activities,

2 USD 1,807 thousand outflow from investing activities, and

3 USD 17,450 thousand inflow from financing activities.

The USD 14,580 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation, amortization and impairment charges of USD 14,533 thousand. The cash balance on 31 December 2021 amounted to USD 6,853 thousand, while the cash balance on 31 December 2020 amounted to USD 5,790 thousand. The cash balance at 31 December 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 2,607 thousand (31 December 2020: USD 799 thousand). The increase in non-current assets from 31 December 2020 to 31 December 2021 was mainly due to investment in fixed assets. Trade and other receivables amounted to USD 1,822 thousand as of 31 December 2021 (31 December 2020: USD 1,140 thousand). The increase relates mainly to a VAT receivable. Non-current liabilities as of 31 December 2021 totaled USD 16,751 thousand (31 December 2020: 21,884 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 119 percent as of 31 December 2021, versus negative 606 percent as of 31 December 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 31 December 2021, the Company had a cash balance of approximately USD 6.9 million, including restricted cash of approximately USD 1.6 million. To continue to fund the Company's activities further into 2022, the Company will have access to funds through the warrants being exercisable on 30 November 2022. On 2 February 2022, the Company announced the completion of a private placement of 125,561,401 shares (Tranche 1) and an allocation of 41,105,265 shares (Tranche 2) at a subscription price of NOK 0.60 per share, resulting in gross proceeds of NOK 100 million. The share capital increase associated with Tranche 1 has been duly registered in the Register of Business Enterprises. On 24 February 2022, the Company will request shareholder approval at an Extraordinary General Meeting to increase the authorized share capital to include the shares allocated in Tranche 2, the warrants associated with Tranche 1 and Tranche 2, and a 9 for 1 share consolidation. The private placement includes 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 0.60. 50% of the private placement warrants will be exercisable on 30 June 2022 and the remaining 50% will be exercisable on 30 November 2022. If the warrants are not sufficiently exercised or there is a need for bridge financing prior to the Tranche 2 exercise date, the Company will seek additional funds from the investor market 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.

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 are designing 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.

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 2 February 2022, the Company announced the completion of a private placement of 125,561,401 shares (Tranche 1) and an allocation of 41,105,265 shares (Tranche 2) at a subscription price of NOK 0.60 per share, resulting in gross proceeds of NOK 100 million. The share capital increase associated with Tranche 1 has been duly registered in the Register of Business Enterprises. On 24 February 2022, the Company will request shareholder approval at an Extraordinary General Meeting to increase the authorized share capital to include the shares allocated in Tranche 2, the warrants associated with Tranche 1 and Tranche 2, and a 9 for 1 share consolidation. The private placement includes 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 0.60. 50% of the private placement warrants will be exercisable on 30 June 2022 and the remaining 50% will be exercisable on 30 November 2022. If the warrants are fully exercised, it will contribute an additional of NOK 100 million in proceeds to the Company.

As of the date of this report, and with an assumption that the Tranche 1 warrants will be fully exercised on 30 June 2022, the group and parent company have sufficient funds to support operations into the third quarter of 2022.

To continue to fund the Company's activities beyond the third quarter of 2022,the Company will have access to funds through the warrants being exercisable on 30 November 2022. If the warrants are not sufficiently exercised or there is a need for bridge financing prior to the Tranche 2 exercise date, the Company will seek additional funds from the investor market 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. To address the funding requirements of the group, the board of directors has undertaken the following initiatives:

- Secured equity funding with a private placement of 125,561,401 shares (Tranche 1) and an allocation of 41,105,265 shares (Tranche 2) at a subscription price of NOK 0.60 per share, resulting in gross proceeds of NOK 100 million. The potential gross proceeds for Tranche 1 warrants is NOK 50 million. The potential gross proceeds for Tranche 2 warrants is NOK 50 million.
- 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.

Ensurge Micropower ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 October - 31 December 2021	1 October - 31 December 2020	1 January - 31 December 2021	1 January - 31 December 2020
Sales revenue					492
Other income					21
Total revenue & Other Income					**513**
Operating costs	9,10	(5,115)	(3,394)	(19,530)	(12,531)
Depreciation and amortization		(9)	(14)	(47)	(22)
Operating profit (loss)		**(5,124)**	**(3,407)**	**(19,577)**	**(12,040)**
Net financial items	12	(745)	(15,302)	(11,386)	(26,753)
Profit (loss) before income tax		(5,869)	(18,709)	(30,963)	(38,794)
Income tax expense					
Profit (loss) for the period		**(5,869)**	**(18,709)**	**(30,963)**	**(38,794)**
Profit (loss) attributable to owners of the parent		**(5,869)**	**(18,709)**	**(30,963)**	**(38,794)**
Profit (loss) per share basic and diluted	6	(USD0.00)	(USD0.02)	(USD0.02)	(USD0.10)
Profit (loss) for the period		(5,869)	(18,709)	(30,963)	(38,794)
Currency translation			1,083		555
Total comprehensive income for the period, net of tax		**(5,869)**	**(17,626)**	**(30,963)**	**(38,239)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 December 2021	31 December 2020
ASSETS	7		
Non-current assets			
Property, plant and equipment	3	2,033	226
Other financial receivables	8	574	573
Total non-current assets		**2,607**	**799**
Current assets			
Trade and other receivables	8	1,822	1,140
Cash and cash equivalents (i)	11	6,853	5,790
Total current assets		**8,675**	**6,930**
TOTAL ASSETS		**11,282**	**7,729**
EQUITY	5		
Total Shareholder's Equity		**(13,448)**	**(46,865)**
LIABILITIES	7		
Non-current liabilities			
Long-term debt	11	5,854	9,709
Long-term financial lease liabilities	11	10,897	12,175
Total non-current liabilities		**16,751**	**21,884**
Current liabilities			
Trade and other payables		4,124	3,445
Warrants liability (ii)	12	0	26,020
Current portion of long-term debt	11	3,855	3,245
Total current liabilities		**7,979**	**32,710**
TOTAL EQUITY AND LIABILITIES		**11,282**	**7,729**

(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	Other reserves	Currency translation	Retained earnings	Total
Balance at 1 January 2021	12,014	2,805	(2,852)	(13,801)	(45,032)	(46,865)
Share based compensation		4,388				4,388
Warrant exercises and Private Placement and subsequent offerings, total (approved 20 May and 19 August 2020)	8,819	10,105	34,820			53,744
Private Placement (March 2021)	897	5,350				6,248
Comprehensive income					(30,963)	(30,963)
Balance at 31 December 2021	**21,731**	**22,649**	**31,969**	**(13,801)**	**(75,995)**	**(13,448)**
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	2,179	(2,852)			10,409
Comprehensive income				555	(38,794)	(38,239)
Balance at 31 December 2020	**12,014**	**2,805**	**(2,852)**	**(13,801)**	**(45,032)**	**(46,865)**

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 October - 31 December 2021	1 January - 31 December 2021	1 October - 31 December 2020	1 January - 31 December 2020
CASH FLOW FROM OPERATING ACTIVITIES					
Profit (loss) before tax		(5,869)	(30,963)	(18,709)	(38,794)
Share-based payment (equity part)		1,381	4,933	404	626
Depreciation and amortization	3,4	9	47	14	23
Write down inventory, machinery and intangible assets		—	—	23	—
Loss/(gain) on sale of fixed assets		—	—	(139)	(50)
Changes in working capital and non-cash items		(59)	17	336	(495)
Net financial items		745	11,386	15,352	26,803
Net cash from operating activities		**(3,793)**	**(14,580)**	**(2,720)**	**(11,886)**
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	3	(216)	(1,807)	0	(248)
Proceeds from sale of fixed assets		—	—	(89)	(89)
Interest received		1	1	1	27
Net cash from investing activities		**(215)**	**(1,807)**	**(88)**	**(310)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares	5	(27)	25,172	2,658	13,259
Interest paid	4	(958)	(3,199)	(868)	(3,185)
Lease payments	4	(1,204)	(4,523)	(239)	(960)
Net cash from financing activities		**(2,189)**	**17,450**	**1,551**	**9,114**
Net increase (decrease) in cash and bank deposits		**(6,197)**	**1,063**	**(1,257)**	**(3,082)**
Cash and bank deposits at the beginning of the period		13,050	5,790	7,047	8,872
Cash and bank deposits at the end of the period (i)		**6,853**	**6,853**	**5,790**	**5,790**

(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.

Notes to the Consolidated Financial Statements

1. Information about the group

Ensurge Micropower ASA ("Ensurge" or "the Company") was founded as Thin Fillm 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 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, and with an assumption that the Tranche 1 warrants will be fully exercised on 30 June 2022, the group and the parent company have sufficient funds to support operations into the third quarter of 2022.

To continue to fund the Company's activities further into 2022, the Company will have access to funds through the warrants being exercisable on 30 November 2022. If the Tranche 2 warrants are fully exercised, it will contribute an additional of NOK 50 million in proceeds to the Company. On 2 February 2022, the Company announced the completion of a private placement of 125,561,401 shares (Tranche 1) and an allocation of 41,105,265 shares (Tranche 2) at a subscription price of NOK 0.60 per share, resulting in gross proceeds of NOK 100 million. The share capital increase associated with Tranche 1 has been duly registered in the Register of Business Enterprises. On 24 February 2022, the Company will request shareholder approval at an Extraordinary General Meeting to increase the authorized share capital to include the shares allocated in Tranche 2, the warrants associated with Tranche 1 and Tranche 2, and a 9 for 1 share consolidation.. The private placement includes 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 0.60. 50% of the private placement warrants will be exercisable on 30 June 2022 and the remaining 50% will be exercisable on 30 November 2022. If the warrants are not sufficiently exercised or there is a need for bridge financing prior to the Tranche 2 exercise date, the Company will seek additional funds from the investor market 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 Interim Report.

The report was resolved by the Ensurge Micropower ASA Board of Directors on 22 February 2022.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 31 December 2021	
Net value on 1 January 2021	226
Additions	1,821
Depreciation	(14)
Net book value on 31 December 2021	**2,033**
Period ended 31 December 2020	
Net value on 1 January 2020	
Additions	248
Disposals	(333)
Impairments	333
Depreciation	(22)
Net book value on 31 December 2020	**226**

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)	(1,996)
Interest expense	927
Lease liability as of 31 December 2021	**12,175**

In the statement of cash flow, principal portions of lease payments are included in line “Lease payment” with an amount of USD 1,204 thousand, and interest portions of the payments are included in line “Interest paid” with an amount of USD 927 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
Shares at 31 December 2021	**1,746,497,852**
Shares at 1 January 2020	58,593,581
Shares at 31 December 2020	**985,548,186**

Number of subscription rights	1 January – 31 December 2021	1 January – 31 December 2020
Subscription rights opening balance	84,168,580	5,373,230
Grant of incentive subscription rights	122,193,352	81,363,440
Terminated, forfeited and expired subscription rights	(14,853,134)	(2,568,090)
Subscription rights closing balance	**191,508,798**	**84,168,580**

Number of warrants	1 January – 31 December 2021	1 January – 31 December 2020
Warrants opening balance	717,651,036	0
Allotment of warrants	—	982,351,512
Exercise and expiry of warrants	(717,651,036)	(264,700,476)
Warrants closing balance	**0**	**717,651,036**

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.

On 2 February 2022, the Company announced the completion of a private placement of 125,561,401 shares (Tranche 1) and an allocation of 41,105,265 shares (Tranche 2) at a subscription price of NOK 0.60 per share, resulting in gross proceeds of NOK 100 million. The share capital increase associated with Tranche 1 has been duly registered in the Register of Business Enterprises. On 24 February 2022, the Company will request shareholder approval at an Extraordinary General Meeting to increase the authorized share capital to include the shares allocated in Tranche 2, the warrants associated with Tranche 1 and Tranche 2, and a 9 for 1 share consolidation. The private placement includes 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 0.60. 50% of the private placement warrants will be exercisable on 30 June 2022 and the remaining 50% will be exercisable on 30 November 2022.

6. Profit (loss) per share

	1 January – 31 December 2021	1 January – 31 December 2020
Profit (loss) attributable to shareholders (USD 1,000)	(30,963)	(38,794)
Weighted average basic number of shares in issue	1,368,283,438	393,183,402
Weighted average diluted number of shares	1,368,283,438	393,183,402
Profit (loss) per share, basic and diluted	**(USD 0.02)**	**(USD 0.10)**

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 31 December 2021, the guarantee liability amounted to USD 3,000 thousand.

8. Trade and other receivables

Amounts in USD 1,000	31 December 2021	31 December 2020
Accounts receivable	34	—
VAT-related receivables	907	201
Pre-payments to suppliers	881	926
Other current receivables	—	13
Sum	**1,822**	**1,140**

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 – 31 December 2021	1 January – 31 December 2020
Payroll	7,307	4,766
Share-based remuneration	4,933	679
Services	2,130	1,808
Premises, supplies	3,913	3,270
Sales and marketing	167	65
Other expenses	1,080	1,943
Total operating costs	**19,530**	**12,531**

10. Related party transactions

In 2021 and 2020, Ensurge recorded USD 433 thousand and USD 271 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which Ensurge's Chairman is a partner.

In 2021, Ensurge recorded USD 151 thousand for advisory services from Acapulco Advisors AS, a shareholder of Ensurge.

In connection with the private placement of shares announced on 1 March 2021, Ensurge recorded USD 36 thousand for a share lending agreement with Alden AS, a shareholder of Ensurge.

The amount outstanding in Trade and other payables as of 31 December 2021 amounted to USD 72 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 31 December 2021, the current portion of the loan principal is USD 3,855 thousand. The long-term portion of the principal of USD 5,854 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. 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 2021, the guarantee liability amounted to USD 3,000 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

31 December 2021	1 year	2–3 years	3–4 years	4–5 years	Over 5 years
Principal obligations due	3,856	4,581	1,274		
Interest payments	1,389	664	434		
Lease payments	2,121	2,182	2,246	2,311	6,700
Total current and long-term debt	**7,366**	**7,427**	**3,954**	**2,311**	**6,700**

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 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. 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 2021	As of 31 December 2020
Opening Balance	$26,020	$
Warrants Issued	—	29,389
Warrants Exercised	(34,638)	(7,326)
Change in fair value of warrant liability	8,637	6,118
Ending Balance	19	28,181
Deferred loss	(19)	(2,161)
Warrants liability	0	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 31 December 2020 Warrant B
Share price	NOK 0.56
Exercise price	NOK 0.25
Expected term (in years)	0.64
Expected share price volatility	113.76%
Annual rate of quarterly dividends	0.00%
Risk-free interest rate	0.031%
Warrant expiration date	20 August 2021

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

See Note 5 for more details.

13. Events occurring after the balance sheet date

On 2 February 2022, the Company announced the completion of a private placement of 125,561,401 shares (Tranche 1) and an allocation of 41,105,265 shares (Tranche 2) at a subscription price of NOK 0.60 per share, resulting in gross proceeds of NOK 100 million. The share capital increase associated with Tranche 1 has been duly registered in the Register of Business Enterprises. On 24 February 2022, the Company will request shareholder approval at an Extraordinary General Meeting to increase the authorized share capital to include the shares allocated in Tranche 2, a 9 for 1 share consolidation and the warrants associated with Tranche 1 and Tranche 2. The private placement includes 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 0.60. 50% of the private placement warrants will be exercisable on 30 June 2022 and the remaining 50% will be exercisable on 30 November 2022.

On 2 February 2022, the Company announced the signing of a customer agreement with a Fortune 500 industrial company active in manufacturing capital equipment.

On 19 January 2022, the Company announced the signing of a customer agreement with a leader and innovator in the digital health market.