Ensurge Micropower ASA

Fourth Quarter 2022

Interim Report and Financial Statements

ENSURGE™
MICROPOWER

Contents

Locations

Norway — Oslo

Corporate Headquarters
c/o House of Business

Fridtjof Nansens Plass 4
0160 Oslo
Phone: +47 22 42 45 00
Email: info@ensurge.com

USA — San Jose

Global Headquarters

2581 Junction Avenue
San Jose, CA 95134
Phone: +1 408 503 7300

Contact

Mark Newman
Interim Chief Executive Officer
mark.newman@ensurge.com

ensurge.com

Highlights

- Mark Newman, currently an Ensurge board director, replaced Kevin Barber as the interim CEO and has presented the new management action plan to take the company into the commercialization phase
- Received first production order for 150,000 Ensurge microbatteries from the lead customer, an innovator in the digital health market
- Evaluation report of Ensurge microbattery core cells from a strategic partner, a leader in consumer electronics, matched Ensurge's capacity and energy density calculations
- Presented technical data at the TechBlick conference "Solid-State Batteries: Innovations, Promising Startups, and Future Roadmap," demonstrating Ensurge microbattery performance including energy density, cycling and charging speed
- Production line converted to the lead production customer's target form factor and performance requirements
- Continued strong customer interest with 10 new qualified customers added to the pipeline
- New management focused on converting the existing pipeline into paying customers including pushing customers and partners to pay for development work
- A renewed cost cutting exercise will be implemented, targeting 30% reduction in cash burn rate

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 microbattery (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 and Outlook

Ensurge recently announced that Mark Newman replaced Kevin Barber as the interim CEO. Mr. Newman has served on the Board of Ensurge since 25 May 2022. He is founder and CEO of Electric Revolution Ventures, and has deep technology, business and financial experience in batteries & semiconductors from Samsung, Bernstein, Nyobolt, SES.ai & Applied Materials. He is a board member of Faraday Institution (UK's flagship battery research program), was previously a managing director at Bernstein covering technology stocks with focus on batteries and semiconductors and is a founding investor and former Chief Commercial Officer of Nyobolt, a UK based battery company.

Our new Interim CEO recently shared the company's top goals for the next 2-3 months, which include:

1. Accelerate commercialization: New management's key focus is to accelerate commercialization by working closer with customers, readying our technology and product offering for mass manufacturability and planning for production. The key technical team remains unchanged.
2. Execute on customer pipeline: Our customer pull is strong with a pipeline of over 20 qualified leads, 5 signed contracts with hearing aid and wearables companies and three strategic customer contracts. We will refocus to get up-front payment from signed customers, requiring customers to pay for collaboration, development work or licensing.
3. Target 30% cost reductions: Our cash burn rate needs to be reduced and all expenditures are currently being reviewed by the new executive team as we plan for commercialization and manufacturing ramp phase. This includes but is not limited to optimizing use of office and factory space such as sub-lease options, and seeking a more optimal financial structure.
4. Fundraising and financial restructuring: Following the 50 million NOK placement, we will seek out new investors in the US subsidiary. Working with our financial advisors we will also explore a potential US listing of the US subsidiary as well as other potential exit opportunities.
5. Plan for increased manufacturing capacity: Based on the demand we see in the market the current manufacturing capacity have to be increased over time. The lead time for new roll-to-roll equipment is between 6-12 months and we will thus start work on increasing the capacity.

In addition to the above we will look to refine our company strategy and business plan. Although Ensurge has been hugely successful in getting as far as we have with our recently customer verified technical performance, and significant (and increasing) customer interest in our technology, the new leadership team also recognizes that there have been some historic delays that need to be addressed. We will re-evaluate our strategy, refining where necessary, and build a thorough and updated business plan.

Ensurge received the first production order for 150,000 batteries from its lead production customer, a digital health innovator for delivery starting in 2023. Ensurge expects additional orders in 2023 and beyond from this lead customer. We have converted the manufacturing line to the size required by the customer and are working on scaling production.

This order validates Ensurge's value proposition and unique differentiation of our technology. Ensurge's lead customer can now create products with features that would be impossible to offer without the fast-charging performance and 2X energy density of Ensurge's solid-state lithium microbattery in addition to its ability to support flexible form factors.

Ensurge consistently produced a large number of unit cells enclosed in coin cells during the last three months. These unit cells achieved our extremely high technical requirements, including impedance and capacity targets and cycled (charged and discharged) several hundred times. These accomplishments using a roll-to-roll process and 10 µm stainless-steel substrate are unparalleled in the industry for a solid-state lithium battery in the 1-100 mAh capacity range. As reported earlier, Ensurge has provided samples of these unit cells to three strategic partners for their evaluation. One of these strategic partners has recently reported back that they have validated Ensurge's industry-leading technical performance claims, including capacity and energy density.

We also continued to make progressive improvement with the backend, the process of stacking and packaging multiple unit cells into a single battery. This included a significant reduction in the impedance after the backend process. We are continuing to work on reducing the impedance further to achieve target capacity and cycling for the stacked and packaged batteries.

In addition, Ensurge technology team is working on implementing several key improvements that will increase the energy density as well as streamline the manufacturing process to help with scaling. The team expects to file several patents in the coming months based on these innovations.

Customer traction and inbound interest remains strong. Ensurge has added 10 new qualified customers and partners to its engagements in the last several months. Wearable medical devices across a breadth of applications continues to be the dominant application segment followed by Internet of Things (IoT) and fitness/sports wearables. The Company is continuing to build the required pipeline of customer opportunities as it moves closer to production. These customers' products in many cases have requirements that can only be met by the Ensurge microbattery. Many of these companies are actively working with Ensurge and are ready to move forward with product development using the Ensurge microbattery. These customers put a high value on fast charging, form factor that can be mounted on the customer board using traditional reflow assembly process and the form factor freedom which allows the customers to select the length, width and height that work the best for their products.

Condensed Consolidated Financial Report as of December 2022

Profit and Loss

Ensurge had zero sales revenue in the 2022 or 2021.

Operating costs amounted to USD 20,685 thousand during 2022, including the notional cost of share-based compensation of USD 3,966 thousand. The corresponding figures for 2021 were USD 19,530 thousand and USD 4,933 thousand, respectively. The increase in operating costs, USD 1,156 thousand, was primarily attributable to the increase in payroll costs. The expenses by major category are as follows:

1. USD 1,620 thousand higher payroll cost.
2. USD 967 thousand lower employee share-based remuneration costs. The fair value of granted employee subscription rights are valued based on the Black-Scholes formula and expensed over the vesting period.
3. USD 701 thousand higher premises and supplies costs.
4. USD 198 thousand lower other expenses.

The Company focused R&D efforts towards achieving technical success in solid-state lithium battery technology development. The Company increased spending in 2022 in the operations area in support of R&D samples and production readiness. R&D spending for the 2022 totaled USD 3,029 thousand as compared to USD 2,976 thousand for the same time period in 2021. Depreciation and amortization charges in 2022 amounted to USD 402 thousand, compared to USD 47 thousand incurred the same period in 2021. Depreciation charges include installation of new equipment and cumulative charges for assets purchased in prior years but not capitalized until 2022.

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

Net financial items for 2022 amounted to an expense of USD 3,540 thousand (2021: USD 11,386 thousand expense).

Net financial items were primarily interest expense of USD 3,728 thousand (2021: USD 3,199 thousand) related to debt and financial lease included in the Company's balance sheet offset by a credit related to the change in fair value of the derivative liability of USD 1,300 thousand (2021: USD zero) and warrant expenses in 2022 of USD zero (2021: USD 8,800 thousand).

The Company operates at a loss and there is a tax loss carryforward position in the parent company and in the U.S. subsidiaries. The parent company in Norway has not incurred any tax during 2022 or 2021. The U.S. subsidiary incurred USD 32 thousand in taxes in 2021 as a result of U.S. tax law changes regarding tax loss carryforwards.

The net loss in 2022 was USD 24,627 thousand, corresponding to a basic loss per share of USD 0.11. For 2021, the net loss was USD 30,995 thousand, corresponding to a basic loss per share of USD 0.16. The weighted average basic number of shares used to calculate the loss per share have been adjusted to reflect the 9:1 share consolidation completed 11 March 2022.

Cash Flow

The group's cash balance decreased by USD 1,885 thousand in 2022, compared to an increase of USD 1,063 thousand during 2021. The net decrease in cash is explained by the following principal elements:

1. USD 20,289 thousand outflow from operating activities,
2. USD 486 thousand outflow from investing activities, and
3. USD 18,891 thousand inflow from financing activities.

The USD 20,289 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation and amortization expenses of USD 20,691 thousand. The cash balance on 31 December 2022 amounted to USD 4,969 thousand, while the cash balance on 31 December 2021 equaled USD 6,853 thousand. The cash balances include 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 2,743 thousand (31 December 2021: USD 2,606 thousand). The increase in non-current assets year over year was mainly due to investment in fixed assets. Trade and other receivables amounted to USD 868 thousand as of 31 December 2022 (31 December 2021: USD 915 thousand). Current liabilities as of 31 December 2022 includes USD 4,001 thousand in short term convertible debt (31 December 2021: zero). Non-current liabilities as of 31 December 2022 totaled USD 16,209 thousand (31 December 2021: 16,751 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 193 percent as of 31 December 2022, versus negative 120 percent as of 31 December 2021.

Principal Risks

The extraordinary current risks of the slowdown in the global economy — driven by many factors such as the Russia-Ukraine war, inflation, slow demand and tight monetary policies — are affecting everyone. Ensurge is exposed to various risks of a financial and operational nature.

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

The Company's restructuring and refocus on microbattery technology has resulted in headcount and expenses in line with the Company's revised SSLB strategy and operating plan. As of 31 December 2022, the Company had a cash balance of approximately USD 5.0 million, including restricted cash of USD 1.6 million.

On 15 February 2023, the Company announced funding of NOK 50 million through a private placement, conditional upon approval at an EGM on 14 March 2023 including reduction of the par value per share.

Currently, 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.
- Requisite environmental control of the manufacturing area and the storage.
- 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.
- Requisite environmental control of the manufacturing area and the storage.
- 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.

Many of the markets that Ensurge targets in connection with its new energy storage strategy will require time 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.

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

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

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

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.

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

Going Concern

A going concern assumption has been applied in preparing this interim balance sheet. Pursuant to Section 3-5 of the PLCA, the Board is obligated to act on loss of equity in the Company and shall propose to the general meeting measures to restore the equity and give a statement on the Company's financial position to the shareholders. The Board has acted promptly by securing an interim CEO, proposing a Private Placement which has been fully placed, and securing a bridge funding until the proposed Extraordinary General Meeting to be held on or about 14 March 2023 ("EGM"). The interim CEO has also presented a plan for different measures to be put in place immediately following the Private Placement. The Private Placement remains subject to approval by the EGM. The Board and the interim CEO assume on the shareholders support to approve the Private Placement.

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 second quarter of 2023 after the recent private placement of NOK 50 million as described below. Any subsequent offering is subject to the share price and market conditions at the time.

To continue to fund the Company's activities through and beyond the second quarter of 2023, the Company is seeking alternative sources of financing to continue operations. 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 Company is focused on raising financing to support engineering, manufacturing and go-to-market activities beyond second quarter 2023. This includes potential financing into Ensurge Micropower Inc., the USA subsidiary. In parallel, the Company is instituting cost reductions as well as driving paid collaborations with customers and partners.

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 13,951,267 shares (Tranche 1) (as adjusted for the 9:1 share consolidation in March 2022) and an allocation of 4,567,252 shares (Tranche 2) (as adjusted for the 9:1 share consolidation in March 2022) at a subscription price of NOK 5.40 per share. The gross proceeds from the private placement (both Tranche 1 and 2) was NOK 100 million.
- On 25 and 27 July 2022, the Company announced funding of NOK 57 million including NOK 46.7 million in convertible loans and NOK 10.3 million in a private placement. The Ensurge board approved the private placement and the terms of the convertible loans. On 17 August 2022, the Company received shareholder approval at an EGM for the terms of the convertible loans. The Convertible Loans are repayable one year following the date of the EGM (the "Maturity Date") and the lenders will be entitled at any time from six months from the EGM until the Maturity Date to convert the loans into shares in the Company at a conversion price of NOK 3.00. The Convertible Loans will carry interest at the rate of 5% per annum.
- On 8 November 2022, the Company announced funding of approximately NOK 55 million in a private placement, split into 2 tranches. The first tranche, completed on 8 November 2022 totals 18,256,183 shares at NOK 2.00 per share. The Ensurge Board approved Tranche 1 of the private placement. The shares allocated to Tranche 2 total 9,243,817 at NOK 2.00 per share. Tranche 2 was approved by an EGM of the Company on 1 December 2022.
- On 15 February 2023, the Company announced funding of NOK 50 million through a private placement, conditional upon approval at an EGM on 14 March 2023 including reduction of the par value per share.
- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitments;
- Monitoring and reviewing opportunities for lease financing related to equipment purchases; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources.
- Actively exploring options to raise equity into the California subsidiary to fund operations beyond second quarter, 2023.

The Company has prioritized raising sufficient funds to provide adequate time to demonstrate a series of technology and market development milestones. Ensurge has successfully completed three private placements and one convertible loan financing in the past eighteen months. Despite the material uncertainty to whether the group will be able to successfully raise funds as planned, the Board has concluded that the Company is not in a situation where there is no realistic alternative to continue as going concern and hence it is found appropriate to prepare the interim 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 2022	1 October - 31 December 2021	1 January - 31 December 2022	1 January - 31 December 2021
Sales revenue		—	—	—	—
Other income		—	—	—	—
Total revenue & other income		**—**	**—**	**—**	**—**
Operating costs	9,10	(4,644)	(5,115)	(20,685)	(19,530)
Depreciation and amortization		(146)	(9)	(402)	(47)
Operating profit (loss)		**(4,790)**	**(5,124)**	**(21,087)**	**(19,577)**
Net financial items	12, 14	(3,336)	1,080	(3,540)	(11,386)
Profit (loss) before income tax		(8,126)	(4,044)	(24,627)	(30,963)
Income tax expense		—	—	—	(32)
Profit (loss) for the period		**(8,126)**	**(4,044)**	**(24,627)**	**(30,995)**
Profit (loss) attributable to owners of the parent		**(8,126)**	**(4,044)**	**(24,627)**	**(30,995)**
Profit (loss) per share basic and diluted	6	(USD 0.04)	(USD 0.02)	(USD 0.11)	(USD 0.16)
Profit (loss) for the period		(8,126)	(4,044)	(24,627)	(30,995)
Currency translation		—	—	—	—
Total comprehensive income for the period, net of tax		**(8,126)**	**(4,044)**	**(24,627)**	**(30,995)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 December 2022	31 December 2021
ASSETS	7		
Non-current assets			
Property, plant and equipment	3	2,169	2,032
Other financial receivables	8	574	574
Total non-current assets		**2,743**	**2,606**
Current assets			
Trade and other receivables	8	868	915
Cash and cash equivalents (i)	11	4,969	6,853
Total current assets		**5,837**	**7,768**
TOTAL ASSETS		**8,580**	**10,374**
EQUITY	5		
Total Shareholder's Equity		**(16,584)**	**(13,481)**
LIABILITIES	7		
Non-current liabilities			
Long-term debt	11	6,750	5,854
Long-term financial lease liabilities	11	9,459	10,897
Total non-current liabilities		**16,209**	**16,751**
Current liabilities			
Trade and other payables		2,768	1,971
Short-term financial lease liabilities	11	1,438	1,278
Current portion of long-term debt	11	748	3,855
Warrants liability	12	—	—
Derivative & Short-term Convertible Debt	13	4,001	—
Total current liabilities		**8,955**	**7,104**
TOTAL EQUITY AND LIABILITIES		**8,580**	**10,374**

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

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 2022	21,730	22,649	31,968	(13,801)	(76,027)	(13,481)
Share based compensation		3,881				3,881
Private Placement (February, August and December 2022)	2,402	15,118				17,520
Stock Rights Exercise	20	104				124
Comprehensive income					(24,627)	(24,627)
Balance at 31 December 2022	**24,152**	**41,752**	**31,968**	**(13,801)**	**(100,654)**	**(16,583)**
Balance at 1 January 2021	12,014	2,805	(2,852)	(13,801)	(45,032)	(46,865)
Share based compensation		4,388				4,388
Private placement related repair and warrant exercises (approved 20 May and 19 August 2020)	8,819	10,105	34,820			53,744
Private Placement (March 2021)	897	5,350				6,248
Comprehensive income					(30,995)	(30,995)
Balance at 31 December 2021	**21,730**	**22,649**	**31,968**	**(13,801)**	**(76,027)**	**(13,481)**

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 October - 31 December 2022	1 October - 31 December 2021	1 January - 31 December 2022	1 January - 31 December 2021
CASH FLOW FROM OPERATING ACTIVITIES					
Profit (loss) before tax		(8,125)	(5,869)	(24,627)	(30,963)
Share-based payment (equity part)		433	1,381	3,881	4,933
Depreciation and amortization	3,4	145	9	402	46
Changes in working capital and non-cash items		137	(59)	(3,485)	50
Net financial items		3,336	745	3,540	11,386
Net cash from operating activities		**(4,074)**	**(3,793)**	**(20,289)**	**(14,548)**
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	3	13	(216)	(557)	(1,839)
Proceeds from sale of fixed assets		—	—	22	1
Interest received		32	1	49	-
Net cash from investing activities		**45**	**(215)**	**(486)**	**(1,838)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares	5	5,152	(27)	17,643	25,172
Proceeds from issuance of convertible debt		—	4,773	—	1
Interest paid	4	(502)	(958)	(2,247)	(3,199)
Lease payments	4	(340)	(1,204)	(1,278)	(4,523)
Net cash from financing activities		**4,310**	**(2,189)**	**18,891**	**17,450**
Net increase (decrease) in cash and bank deposits		**282**	**(6,197)**	**(1,884)**	**1,063**
Cash and bank deposits at the beginning of the period		4,687	13,050	6,853	5,790
Cash and bank deposits at the end of the period (i)					
		4,969	**6,853**	**4,969**	**6,853**

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

Notes to the Consolidated Financial Statements

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 microbatteries. 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 2022 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 2021. 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 2021. 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 second quarter of 2023.

On 2 February 2022, the Company announced the completion of a private placement of 13,951,267 shares (Tranche 1) (as adjusted for the 9:1 share consolidation in March 2022) and an allocation of 4,567,252 shares (Tranche 2) (as adjusted for the 9:1 share consolidation in March 2022) at a subscription price of NOK 5.40 per share, resulting in gross proceeds of NOK 100 million. The private placement included two non-tradeable warrants for every share subscribed for in the private placement at no additional cost and with an exercise price equal to NOK 5.40. 50% of the private placement warrants expired on 30 June 2022 and the remaining 50% expired on 30 November 2022. On 24 February 2022, the Company received shareholder approval at an EGM 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 9:1 share consolidation. 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.

On 24 July 2022, the Company announced that it secured funding totaling NOK 57 million. Of this amount, NOK 46.7 million represents commitments to subscribe for convertible loans, the balance of NOK 10.3 million in new shares via a private placement. The convertible loans were approved at the EGM held 17 August 2022. The Board of Directors has authorization from the Annual General Meeting held 25 May 2022 to complete a private placement.

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

On 15 February 2023, the Company announced funding of NOK 50 million through a private placement, conditional upon approval at an EGM on 14 March 2023 including reduction of the par value per share.

The report was resolved by the Ensurge Micropower ASA Board of Directors on 26 February 2023.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 31 December 2022	
Net book value on 1 January 2022	2,033
Additions	557
Disposals	(19)
Depreciation	(402)
Net book value on 31 December 2022	**2,169**
Period ended 31 December 2021	
Net book value on 1 January 2021	226
Additions	1,839
Depreciation	(32)
Net book value on 31 December 2021	**2,033**

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. The borrowing rate applied in discounting of the nominal lease debt is 7.25%. Right-of-use assets are depreciated linearly over the lifetime of the related lease contract.

	Lease liability
Lease liability recognized at 1 January 2022	12,175
Lease payment (see note below)	(2,120)
Interest expense	842
Lease liability as of 30 September 2022	**10,897**

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

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

5. Shares, subscription rights and warrants

Number of shares	
Shares at 1 January 2022	194,055,317
Shares at 31 December 2022	**244,228,498**
Shares at 1 January 2021	109,505,354
Shares at 31 December 2021	**194,055,317**

Number of subscription rights	1 January - 31 December 2022	1 January - 31 December 2021
Subscription rights opening balance	21,278,755	9,352,064
Grant of incentive subscription rights	3,101,500	13,577,039
Terminated, forfeited and expired subscription rights	(2,394,214)	(1,650,348)
Exercise of subscription rights	(737,996)	—-
Subscription rights closing balance	**21,248,045**	**21,278,755**

Number of warrants	1 January - 31 December 2022	1 January - 31 December 2021
Warrants opening balance	—	75,464,686
Allotment of warrants	18,518,518	—
Exercise and expiry of warrants	(18,518,518)	(75,464,686)
Warrants closing balance	**0**	**0**

The board of directors resolved on 27 January 2022 to issue in total 116,672 ordinary shares at a subscription price of NOK 2.97 per share to a former employee who has exercised incentive subscription rights granted under the 2020 incentive subscription rights plan.

On 2 February 2022, the Company announced the completion of a private placement of 13,951,267 shares (Tranche 1) (as adjusted for the 9:1 share consolidation in March 2022) and an allocation of 4,567,252 shares (Tranche 2) (as adjusted for the 9:1 share consolidation in March 2022) at a subscription price of NOK 5.40 per share, resulting in gross proceeds of NOK 100 million. The share capital increase associated with Tranche 1 has been duly registered in the Register of Business Enterprises.

On 24 February 2022, the Company received shareholder approval at an EGM 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 9:1 share consolidation. The share capital increase associated with Tranche 2 has been duly registered in the Register of Business Enterprises.

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

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

The board of directors resolved on 3 May 2022 to issue a total of 161,500 incentive subscription rights to employees in the Ensurge group. The grants were made under the Company's 2021 incentive subscription rights plan as resolved at the Annual General Meeting on 3 June 2021. The exercise price of the subscription rights is NOK 3.6422 per share. The subscription rights vest by 50% per year over two years and expire on 3 June 2026.

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

The Board of Directors resolved on 13 June 2022 to issue in total 621,324 shares with an exercise price of NOK 1.35 per share to a former board member who has exercised incentive subscription rights granted in accordance with the 19 August 2020 resolution by the EGM.

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

The board of directors resolved on 23 August 2022 to issue a total of 850,000 incentive subscription rights to employees in the Ensurge group. The grants were made under the Company's 2022 incentive subscription rights plan as resolved at the Annual General Meeting on 25 May 2022. The exercise price of the subscription rights is NOK 3.4320 per share. The subscription rights vest by 50% per year over two years and expire on 25 May 2027.

On 8 November 2022, the Company announced funding of approximately NOK 55 million in a private placement, split into 2 tranches. The first tranche, completed on 8 November 2022, totals 18,256,183 shares at NOK 2.00 per share. The Ensurge Board approved Tranche 1 of the private placement. The shares allocated to Tranche 2 total 9,243,817 at NOK 2.00 per share. Tranche 2 was approved by an EGM of the Company on 1 December 2022 and was completed 12 December 2022. The share capital increase associated with Tranche 2 has been duly registered in the Register of Business Enterprises.

On 15 February 2023, the Company announced funding of NOK 50 million through a private placement, conditional upon approval at an EGM on 14 March 2023 including reduction of the par value per share.

6. Profit (loss) per share

	1 January – 31 December 2022	1 January – 31 December 2021
Profit (loss) attributable to shareholders (USD 1,000)	(24,627)	(30,995)
Weighted average basic number of shares in issue	215,182,212	194,055,317
Weighted average diluted number of shares	215,182,212	194,055,317
Profit (loss) per share, basic and diluted	**(USD 0.11)**	**(USD 0.16)**

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 9:1 share consolidation completed 11 March 2022.

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 2022, the guarantee liability amounted to USD 2,500 thousand.

8. Trade and other receivables

Amounts in USD 1,000	31 December 2022	31 December 2021
Customer receivables	149	174
Other receivables, prepayments	844	881
Less: provision for impairment of receivables and prepayments	(125)	(140)
Sum	**868**	**915**

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 2022	1 January – 31 December 2021
Payroll	8,927	7,307
Share-based remuneration	3,966	4,933
Services	1,985	2,130
Premises, supplies	4,614	3,913
Sales and marketing	117	167
Other expenses	1,077	1,079
Total operating costs	**20,686**	**19,530**

10. Related party transactions

a) Transactions with related parties:

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

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

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

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

In 2021, Ensurge recorded USD 35 thousand for a share lending agreement with Alden AS, a shareholder of Ensurge.

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

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

As of 31 December 2022, the portion of 'Trade and other payables' attributable to related parties is USD 220 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.

On 7 November 2022, the Company consolidated and reamortized the Master Lease Agreement and three amendments with Utica Leaseco, LLC ("Utica"). In connection with the new arrangement, the company has pledged additional collateral to secure the amended payment terms. In addition to the existing collateral pledge, Ensurge has pledged all remaining unsecured equipment located in the San Jose, California facility. Further, Utica has taken a first security position in some of Ensurge Micropower ASA's current intellectual property.

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

The 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 2022, the guarantee liability amounted to USD 2,500 thousand.

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

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

Maturity schedule — liabilities

31 December 2022	Q1 23	Q2 23	Q3 23	Q4 23	2024	2025	2026	2027	2028
Principal obligations due	—	102	316	331	1,494	1,808	2,188	1,261	—
Convertible debt obligations due	—	—	4,849	—	—	—	—	—	—
Interest payments	348	352	595	336	1,172	858	478	72	—
Lease payments	542	542	542	558	2,246	2,311	2,378	2,447	1,875
Total current and long-term debt	**890**	**996**	**6,301**	**1,225**	**4,912**	**4,977**	**5,044**	**3,780**	**1,875**

12. Warrants liability

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

On 24 February 2022, the Company received 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 9:1 share consolidation. The share capital increase associated with Tranche 1 and Tranche 2 have been duly registered in the Register of Business Enterprises.

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

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

See Note 5 for more details.

13. Convertible debt

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

The Convertible Loans are denominated in Norwegian Kroner (NOK); however, the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that were received by the Company were not fixed and varied based on foreign exchange rates. A portion of the loans, the conversion feature, is a derivative required to be recognized and measured at fair value at each reporting period. Any changes in fair value in the Convertible Loans from period to period is recorded as a non-cash gain or loss in the consolidated statement of net loss/(income) and comprehensive loss/(income), in accordance with

IFRS 13. The Convertible Loans, including accrued interest, are classified as short-term liability at amortized cost. The conversion feature derivative liability is classified as short-term held-for-trading liability. The derivative liability is measured using Black Scholes valuation model.

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

14. Net financial items

	1 January – 31 December 2022	1 January – 31 December 2021
Interest Income	49	1
Interest Expense	(3,728)	(3,199)
Net realized and unrealized currency gain/(loss)	(964)	648
Warrant expenses	—	(8,817)
Change in fair value of derivative liability	1,300	—
Other expenses	(197)	(19)
	(3,540)	**(11,386)**

See Note 11 for for interest expense and Note 13 for chair in fair value of derivative liability.

15. Events occurring after the balance sheet date

On 6 February 2023 the Company announced that Mark Newman will assume the role as Interim Chief Executive Officer of Ensurge and its US subsidiary, commencing on or about 8 February 2023. He will replace Kevin Barber, who has been the CEO since November 2018. Mark is presently a member of the Board of Directors of the Company. Due to applicable legal requirements, he will temporarily resign from the Board while serving as Interim CEO. Board election will be an agenda item at an upcoming EGM to be called and the nomination committee will be asked to identify and propose suitable temporary candidate(s) for the Board prior to such general meeting until Mark Newman resumes his role as a board member when a permanent CEO is in place.

On 15 February 2023, the Company announced funding of NOK 50 million through a private placement, conditional upon approval at an EGM on 14 March 2023 including reduction of the par value per share.