Ensurge Micropower ASA

First Quarter 2023

Interim Report and Financial Statements

ENSURGE™
MICROPOWER

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 microbattery (SSLB) technology is uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable microbatteries for diverse applications. The Company's state-of-the-art flexible electronics manufacturing facility, located in the heart of Silicon Valley, combines patented process technology and materials innovation with the scale of roll-to-roll production methods to bring the advantages of SSLB technology to established and expanding markets.

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

Business Review and Outlook

Mark Newman replaced Kevin Barber as the interim CEO in Q1-2023. 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 also a board member of Faraday Institution (UK's flagship battery research program).

Main tasks for Mr. Newman since he took the Interim CEO position have been:

1 Turn management's key focus towards accelerating commercialization, predominantly by working more closely with customers, preparing our technology and product offering for mass manufacturing, and planning for production. The company is now deep into scale and commercialization activities. Overall, efforts have been carried out as expected, with supply chain issues causing some delays. As evidence of progress, Ensurge recently announced a landmark agreement with a Fortune 500 global technology solutions provider that wants to use Ensurge's microbattery technology to enable their future roadmap of wearable solutions.

2 Implement a cost reduction program, including staffing cost. As a result Q1 2023 total operating costs were down 42% year-on-year. Further savings may come from sublease of our state-of-the-art clean room facilities.

3 A six month game plan has been established together with key management, and progress is measured against it. Top three priorities in this plan are: 1) Deliver production ready samples to our key customers and ramp production, 2) Reduce cost, including office sub-lease and financial restructuring considerations aimed at reducing monthly cash burn-rate and create a one off cash consideration the company, and 3) Apply for grants and other government incentives that are aligned with our vision.

4 Continue to work closely with our customers and partners that need our battery to execute on their roadmap. Even though we have been delayed with production ramp-up, we see no signs of customers going elsewhere. This is because our novel architecture, energy density and battery performance are unique. The customer pipeline is now waiting for proof of scale-up capability before converting to production contract (purchase orders). We have a production order, now six paying customer evaluation agreements and several more in discussion. Ensurge received the first production order for 150,000 batteries from its lead production customer, a digital health innovator for delivery starting in Q2 2023. Ensurge expects additional orders in 2023 and beyond from this lead customer. 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.

5 The company is in the process of expanding the technology roadmap with even higher energy density products down the line allowing us to expand to bigger market segments. Based on the demand we see in the market the current manufacturing capacity has 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. The company is in the process of expanding the technology roadmap with even higher energy density products down the line allowing us to expand to bigger market segments. Ensurge has also added a number of new qualified customers and partners to its engagements in the last several months.

Condensed Consolidated Financial Report as of March 2023

Profit and Loss

Ensurge had zero sales revenue in the first three months of 2023 or 2022.

Operating costs amounted to USD 2,995 thousand during the first three months of 2023, including the notional cost of share-based compensation of USD 326 thousand. The corresponding figures for the first three months of 2022 were USD 5,179 thousand and USD 1,374 thousand, respectively. The decrease in operating costs, USD 2,184 thousand, was primarily attributable to decreases in payroll costs and share-based compensation. The expenses by major category are as follows:

1 USD 1,095 thousand lower payroll cost.

2 USD 1,048 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 41 thousand higher other expenses.

The Company focused R&D efforts towards achieving technical success in solid-state lithium battery technology development. The Company increased spending in the operations area in support of R&D samples and production readiness. Depreciation and amortization charges in the first three months of 2023 amounted to USD 127 thousand, compared to USD 12 thousand incurred the same period in 2022. Depreciation charges include installation of new equipment and cumulative charges for assets purchased in prior years but not capitalized until the second half of 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 the first three months of 2023 amounted to an expense of USD 418 thousand (2022: USD 1,217 thousand expense).

Net financial items for the first three months of 2023 were primarily interest expense of USD 966 thousand (2022: USD 621 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 for the first three months of 2023 of USD 223 thousand (2022: USD zero) and warrant expenses in 2022 of USD 434 thousand. (See Note 5.)

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 2023 or 2022.

The net loss in for the first three months of 2023 was USD 3,540 thousand, corresponding to a basic loss per share of USD 0.01. For the first three months of 2022, the net loss was USD 6,409 thousand, corresponding to a basic loss per share of USD 0.03. 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 180 thousand in the first three months of 2023, compared to an increase of USD 4,821 thousand during the first three months of 2022. The net decrease in cash is explained by the following principal elements:

1 USD 3,878 thousand outflow from operating activities,

2 USD 24 thousand outflow from investing activities, and

3 USD 3,674 thousand inflow from financing activities.

The USD 3,878 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation and amortization expenses of USD 3,413 thousand. The cash balance on 31 March 2023 amounted to USD 4,783 thousand, while the cash balance on 31 March 2022 equaled USD 11,674 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.)

Balance Sheet

Non-current assets at 31 March 2023 amounted to USD 2,626 thousand (31 March 2022: USD 2,797 thousand). Trade and other receivables amounted to USD 1,004 thousand as of 31 March 2023 (31 March 2022: USD 1,299 thousand). Current liabilities as of 31 March 2023 includes USD 3,826 thousand in short term convertible debt (31 March 2022: zero). Non-current liabilities as of 31 March 2023 totaled USD 15,474 thousand (31 March 2022: 15,333 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 176 percent as of 31 March 2023, versus negative 48 percent as of 31 March 2022.

Principal Risks

The current slowdown in the global economy — driven by many factors such as the Russia-Ukraine war, inflation, slow demand and tighter monetary policies — affect 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 March 2023, the Company had a cash balance of approximately USD 4.8 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, which was subsequently approved at the 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 require 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 adversely impacting demand for our products or cause potential customers and other business partners to suffer financial hardship, causing delays in market traction adversely impacting our business.
- Our ability to meet our growth targets depends on successful product, marketing, and operations innovation and successful responses to competitors' innovation and changing consumer habits causing changes in 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 delays are generally outside the control of Ensurge.

The Company cannot assure that the business will be successful or 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, 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

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 mid-June 2023 after the recent private placement of NOK 50 million, as described below.

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 a going concern.

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:

- On 15 February 2023, the Company announced funding of NOK 50 million through a private placement, approved 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
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources; and
- Actively exploring options to raise equity 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 January – 31 March 2023	1 January – 31 March 2022	1 January – 31 December 2022
Sales revenue		—	—	—
Other income		—	—	—
Total revenue and other Income		**—**	**—**	**—**
Operating costs	3,4	(2,995)	(5,180)	(19,978)
Depreciation and amortization		(127)	(12)	(402)
Operating profit (loss)		**(3,122)**	**(5,192)**	**(20,380)**
Net financial items	5	(418)	(1,217)	(2,988)
Profit (loss) before income tax		(3,540)	(6,409)	(23,369)
Income tax expense		—	—	—
Profit (loss) for the period		**(3,540)**	**(6,409)**	**(23,369)**
Profit (loss) attributable to owners of the parent		**(3,540)**	**(6,409)**	**(23,369)**
Profit (loss) per share basic and diluted	6	(USD0.01)	(USD0.03)	(USD0.11)
Profit (loss) for the period		(3,540)	(6,409)	(23,369)
Currency translation		—	—	—
Total comprehensive income for the period, net of tax		**(3,540)**	**(6,409)**	**(23,369)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 March 2023	31 March 2022	31 December 2022
ASSETS	7			
Non-current assets				
Property, plant and equipment	8	2,052	2,224	2,169
Other financial receivables	9	574	574	574
Total non-current assets		**2,626**	**2,797**	**2,743**
Current assets				
Trade and other receivables	9	1,004	1,299	868
Cash and cash equivalents (i)	11	4,783	11,674	4,963
Total current assets		**5,787**	**12,973**	**5,832**
TOTAL ASSETS		**8,413**	**15,770**	**8,575**
EQUITY	10			
Total Shareholder's Equity		**(14,783)**	**(7,579)**	**(16,246)**
LIABILITIES	7			
Non-current liabilities				
Long-term debt	11	6,402	4,782	6,750
Long-term financial lease liabilities	11,12	9,071	10,551	9,459
Total non-current liabilities		**15,474**	**15,333**	**16,209**
Current liabilities				
Trade and other payables		1,321	2,241	2,511
Current portion of long-term debt	11	1,096	4,025	748
Short-term financial lease liabilities	11,12	1,480	1,317	1,438
Derivative and short-term convertible debt	11,13	3,826	—	3,915
Warrants liability (ii)		—	434	—
Total current liabilities		**7,722**	**8,017**	**8,612**
TOTAL EQUITY AND LIABILITIES		**8,413**	**15,770**	**8,574**

(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.

(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.

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 2023	**26,966**	**38,016**	**31,968**	**(13,801)**	**(99,396)**	**(16,247)**
Reduction of share capital by reduction of PAR	(20,657)	—	—	—	20,657	—
Private placement	4,751	(73)	—	—	—	4,678
Share based compensation	—	326	—	—	—	326
Comprehensive income	—	—	—	—	(3,540)	(3,540)
Balance at 31 March 2023	**11,060**	**38,269**	**31,968**	**(13,801)**	**(82,279)**	**(14,783)**
Balance at 1 January 2022	**21,730**	**22,649**	**31,968**	**(13,801)**	**(76,027)**	**(13,481)**
Share based compensation	—	1,396	—	—	—	1,396
Private placement	2,056	8,820	—	—	—	10,876
Stock option exercise	13	26	—	—	—	39
Comprehensive income	—	—	—	—	(6,408)	(6,408)
Balance at 31 March 2022	**23,799**	**32,891**	**31,968**	**(13,801)**	**(82,435)**	**(7,578)**
Balance at 1 January 2022	**21,730**	**22,649**	**31,968**	**(13,801)**	**(76,027)**	**(13,481)**
Share based compensation	-	3,506	—	—	—	3,506
Private placement (February, August and December 2022)	5,161	11,812	—	—	—	16,973
Stock rights exercise	75	49	—	—	—	124
Comprehensive income	—	—	—	—	(23,369)	(23,369)
Balance at 31 December 2022	**26,966**	**38,016**	**31,968**	**(13,801)**	**(99,396)**	**(16,247)**

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 January – 31 March 2023	1 January – 31 March 2022	1 January – 31 December 2022
CASH FLOW FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(3,540)	(6,408)	(23,369)
Share-based payment (equity part)		326	1,396	3,506
Depreciation and amortization	8,12	127	12	402
Changes in working capital and non-cash items		(1,209)	(1,181)	58
Net financial items		418	1,195	2,988
Net cash from operating activities		**(3,878)**	**(4,986)**	**(16,414)**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	8	(10)	(202)	(557)
Proceeds from sale of fixed assets		—	22	22
Interest received		34	—	49
Net cash from investing activities		**24**	**(180)**	**(486)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	10	4,678	10,915	17,098
Proceeds from issuance of convertible debt		—	—	4,773
Interest paid	12	(659)	(621)	(2,320)
Lease payments	12	(345)	(307)	(4,540)
Net cash from financing activities		**3,674**	**9,987**	**15,010**
Net increase (decrease) in cash and bank deposits		**(180)**	**4,821**	**(1,890)**
Cash and bank deposits at the beginning of the period		4,963	6,853	6,853
Cash and bank deposits at the end of the period (i)		**4,783**	**11,674**	**4,963**

(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. Ensurge Micropower ASA Group ("Ensurge") consists of the parent company Ensurge ASA and the subsidiaries Ensurge Micropower Inc. ("Ensurge Inc.") and TFE Holding ("Thinfilm Holding.") The group was formed on 15 February 2006, when Thin Film Electronics ASA purchased the business and assets, including the subsidiary Thinfilm Electronics AB, from Thin Film OldCo AS ("OldCo").

The objectives of the Company shall be the commercialization, research, development and production of technology and products related to solid-state lithium batteries. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners.

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

2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the three months ending 31 March 2023 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 2022. 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 2022. 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 until mid-June 2023.

On 14 March 2023 the EGM approved a private placement totaling 500,000,000 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 50 million. To continue to fund the Company's activities beyond June 2023, the Company will seek additional funds from the investor market and from partnership funding. However, as funding is not secured for the next 12 months, a material uncertainty exists as to whether the Company and group will continue as going concern. The Company and group are dependent to successfully raise funds as planned. The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. 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 23 May 2023.

3. Operating costs

Amounts in USD 1,000	1 January – 31 March 2023	1 January – 31 March 2022	1 January – 31 December 2022
Payroll	1,021	2,116	8,927
Share-based remuneration	326	1,374	3,259
Services	360	539	1,985
Premises, supplies	908	912	4,614
Sales and marketing	71	7	117
Other expenses	309	231	1,077
Total operating costs	**2,995**	**5,179**	**19,979**

4. Related party transactions

Amounts in USD 1,000	1 January – 31 March 2023	1 January – 31 March 2022	1 January – 31 December 2022
a) Transactions with related parties:			
Purchases of services from law firm Raeder	109	105	390
Purchases of services from Acapulco Advisors AS	67	—	241
Purchase of service from Alden AS	—	—	30
b) Year-end balances arising from purchases of services with related parties:			
Payable to law firm Raeder	—	—	188
Payable to Acapulco Advisors AS	66	—	32
Payable to Alden AS	—	—	30

In the period 1 January to 31 March 2023 and 2022, Ensurge recorded USD 109 thousand and USD 105 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which Ensurge's Chairman is a partner.

In the period 1 January to 31 March 2023, Ensurge recorded USD 67 thousand for advisory services from Acapulco Advisors AS, a shareholder of Ensurge.

As of 31 March 2023, the portion of 'Trade and other payables' attributable to related parties is USD 66 thousand.

5. Net financial items

Amounts in USD 1,000	1 January – 31 March 2023	1 January – 31 March 2022	1 January – 31 December 2022
Interest income	34	0	49
Interest expense	(966)	(621)	(3,728)
Net realized and unrealized currency gain/(loss)	307	(175)	(964)
Warrant expenses	—	(434)	—
Change in fair value of derivative liability	223	—	1,300
Other expenses	(15)	13	(197)
	(418)	**(1,217)**	**(3,540)**

6. Profit (loss) per share

	1 January – 31 March 2023	1 January – 31 March 2022	1 January – 31 December 2022
Profit (loss) attributable to shareholders (USD 1,000)	(3,540)	(6,409)	(23,369)
Weighted average basic number of shares in issue	272,006,275	204,348,330	215,182,212
Weighted average diluted number of shares	272,006,275	204,348,330	215,182,212
Profit (loss) per share, basic and diluted	**(USD 0.01)**	**(USD 0.03)**	**(USD 0.11)**

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. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 31 March 2023	
Net book value on 1 January 2023	2,169
Additions	10
Depreciation	(127)
Net book value on 31 March 2023	**2,052**
Period ended 31 March 2022	
Net book value on 1 January 2022	2,033
Additions	202
Depreciation	(12)
Net book value on 31 March 2022	**2,223**
Period ended 31 December 2022	
Net book value on 1 January 2022	2,033
Additions	556
Disposals	(18)
Depreciation	(402)
Net book value on 31 December 2022	**2,169**

9. Trade and other receivables

Amounts in USD 1,000	31 March 2023	31 March 2022	31 December 2022
Customer receivables	128	165	149
Other receivables, prepayments	994	1,275	844
Less: provision for impairment of receivables and prepayments	(118)	(141)	(125)
Sum	**1,004**	**1,299**	**868**

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

10. Shares, warrants and subscription rights

Number of shares	2022
Shares at 1 January 2023	244,228,498
Shares at 31 March 2023	**744,228,498**
Shares at 1 January 2022	244,228,498
Shares at 31 December 2022	**294,401,679**

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

	1 January – 31 March 2023	1 January – 31 December 2022
Number of warrants		
Warrants opening balance	—	75,464,686
Allotment of warrants	—	—
Exercise and expiry of warrants	—	(75,464,686)
Warrants closing balance	**0**	**0**
Number of subscription rights		
Subscription rights opening balance	21,139,464	21,278,803
Grant of incentive subscription rights	—	3,101,502
Terminated, forfeited and expired subscription rights	(653,203)	(2,502,843)
Exercise of subscription rights	—	(737,998)
Subscription rights closing balance	**20,486,261**	**21,139,464**

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

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

	Date	Number of shares	Price per share
Private placement	14 March 2023	500,000,000	0.10
Shares issued in 2023		**500,000,000**	
Subscription rights exercised in 2023		**–**	
Private placement	2 February 2022	13,951,267	5.40
	8 March 2022	4,567,252	5.40
	24 July 2022 *	3,416,666	3.00
	8 November 2022	18,256,183	2.00
	12 December 2022	9,243,817	2.00
Shares issued in 2022		**49,435,185**	
Subscription rights exercised	27 January 2022	116,673	2.97
	13 June 2022	621,325	1.35
Subscription rights exercised 2022		**737,998**	

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

	Date	Subscription rights	Price	Vesting	Expiration
2023					
Grants of subscription rights in 2023		–			
2022					
Board members	25 May 2022	2,000,000	2.50	12.5% per quarter	25 May 2027
Employees	1 January 2022	90,002	6.30	50% per year	3 June 2026
	3 May 2022	161,500	3.64	50% per year	3 June 2026
	25 August 2022	850,000	3.43	50% per year	25 May 2027
Grants of subscription rights in 2022		**3,101,502**			

11. Current and long-term debt

In September 2019, the subsidiary in US, Ensurge Micropower, Inc., closed an equipment term loan facility with Utica for USD 13,200 thousand secured by fixed assets (see Note 8). The terms of the agreement were interest-only monthly payments for the first six months, followed by three months of interim payments, and thereafter a four-year amortization period during which monthly principal and interest payments are due. The Company entered into the First Amendment (Amendment) effective 11 April 2020. The terms of the amended agreement were that the lender agreed to accept reduced payments in April 2020, and interest-only payments for May–November 2020, and thereafter to re-amortize the remaining balance of the transaction. The Company entered into the Second Amendment (Amendment) in December 2020. The new terms of the amended agreement are that the lender agreed to accept modified payments from January through June 2021. In July 2021, regular payments resumed, and included a lump sum "true up" payment for each Schedule to repay the difference of the amounts due and the reduced payments permitted under this Amendment.

On 7 November 2022, the Company consolidated and reamortized the Master Lease Agreement and three amendments with Utica. In connection with the new arrangement, the company has pledged additional collateral to secure the amended payment terms. In addition to the existing collateral pledge, Ensurge has pledged all remaining unsecured equipment located in the San Jose, California facility. Further, Utica has taken a first security position in certain of Ensurge Micropower ASA's intellectual property. At 31 March 2023, the current portion of the loan principal is USD 1,096 thousand. The long-term portion of the principal of USD 6,402 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 and sheet-line tools as collateral against the Utica loan. Book value of assets pledged is USD 2,052 thousand.

The Company entered into a lease agreement in November 2016 relating to its US headquarters in San Jose, California. The lease in San Jose expires in September 2028. 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 March 2023, 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 12.

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

Maturity schedule — liabilities

31 March 2023	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	352	595	336	1,172	858	478	72	—
Lease payments	542	542	558	2,246	2,311	2,378	2,447	1,875
Total current and long-term debt	**996**	**6,301**	**1,225**	**4,912**	**4,977**	**5,044**	**3,780**	**1,875**

12. 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 2023	10,897
Lease payment (see note below)	(541)
Interest expense	196
Lease liability as of 31 March 2023	**10,551**

In the statement of cash flow, principal portions of lease payments are included in line "Lease payment" with an amount of USD 345 thousand, and interest portions of the payments are included in line "Interest paid" with an amount of USD 196 thousand. Both of them are presented as cash flow from financing activities.

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

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 EGM held 17 August 2022. The convertible loans are repayable 17 August 2023 and the lenders are entitled at any time after 17 February 2023 to convert the loans into shares in the Company at a conversion price of NOK 3.00. The convertible loans carry interest at the rate of 5% per annum.

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

	31 March 2023	31 March 2022	31 December 2022
Short term debt	$3,692	—	$3,692
Derivative liabilitiy	—	—	223
Accrued interest	137	—	86
Conversion price	NOK 3.00		NOK 3.00
Interest rate	5%		5%
Maturity date	17 August 2023		17 August 2023

14. Events occurring after the balance sheet date

On 4 May 2023, the company announced the appointment of Lars P. Eikeland as the Acting Chief Financial Officer (CFO).