Ensurge Micropower ASA

First Quarter 2022

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

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

Business Review

Ensurge achieved significant breakthroughs during early 2022, and successfully addressed most of the remaining issues towards delivering Ensurge microbattery customer samples. While competitive solid-state alternatives are limited to µAh capacities, limiting their addressable applications, Ensurge is aggressively moving forward with the world's first mAh solid-state lithium microbattery. We are implementing and validating the technology and operations breakthroughs we have achieved in the last three months and preparing to roll out our first customer samples delivery shortly.

There are three critical components to ship customer samples:

- Produce unit cells that meet capacity and cycles targets
- Validate packaging materials and ensure packaging provides hermetic sealing
- Finalize packaged microbatteries that meet capacity and cycling targets for customer samples

Ensurge has achieved the first two and we are in the process of completing the third one. Specifically:

Ensurge successfully built unit cells that consistently achieved the required capacity and cycling metrics for customer samples. These unit cells also have demonstrated differentiated performance such as three times faster charging and 5C high-pulse discharge, both extremely important features for our customers' next-generation products in addition to our fundamental advantages of higher volumetric energy density and form factor flexibility.

With respect to packaging, Ensurge successfully validated the solution to potential ambient penetration into the battery degrading the lithium cycling performance. The Ensurge engineering team's approach was so innovative, that Ensurge is moving forward with filing multiple patents strengthening our intellectual property position. In addition, through extensive testing,the engineering team successfully validated our internal packaging materials to ensure that they remain neutral and do not interact during battery cycling.

Ensurge successfully integrated battery cell processing, stacked and packaged microbatteries, including the significant achievement of end-to-end handling of ultra-thin substrates. We have a remaining requirement to consistently meet the initial target cycling performance. We have identified multiple improvements that are undergoing cycle-life testing. In order to deliver samples to customers once the solution is validated, we will need to produce sufficient quantities of packaged and cycle-tested microbatteries. We expect to provide Ensurge microbattery samples to customers shortly.

Our customers continue to validate our strategy and value propositions. Customers with existing agreements remain actively engaged with us as we support the process of integrating the Ensurge microbattery into their products and the transition into production later this year. New customers continue to approach Ensurge with strong interest because many of the products are impossible without the Ensurge microbattery.

Outlook

Ensurge's immediate and most critical priority is to prove our technology and ship samples to our initial target customers. In addition, we remain focused on four key activities in 2022 to drive towards building a profitable business.

1 Convert current and new customer agreements into active product designs with initial revenue in Q4

2 Broaden customer activities across all target markets

3 Qualification of Ensurge technology and product by the customers

4 Establish operational readiness for production ramp including incremental equipment capacity addition

We are working with the current customers to help them build boards that they will use to attach and evaluate the Ensurge microbattery before they start the development of the product using the Ensurge microbattery. "Fast movers" among these customers have strong interest and alignment with the Ensurge value propositions. We expect them to move rapidly towards product introduction in the first half of 2023 allowing Ensurge to generate initial product revenue in Q4 2022.

Besides the five customers with formal agreements, we are actively engaged with 11 other customers who have a strong interest in designing the Ensurge microbattery into their products. Additionally, we have over 10 customers who have expressed an interest in engaging with us as soon as we have samples. We are planning a broad outreach to tens of companies from the same market segments many of whom have had previous discussions with us.

In parallel, we will be working on qualification of the Ensurge microbattery including requisite regulatory testing. This qualification ensures that the Ensurge microbattery meets the necessary quality and performance parameters. This is a critical step towards initiating the production of Ensurge microbattery.

Lastly, we are establishing the operational readiness for the production ramp including incremental equipment capacity addition. This involves implementing and validating systems, tools and processes to meet our target throughput and cycle times once we enter the production phase.

Two years back, Ensurge set out to develop and build a solid-state lithium microbattery with mAh (1-100 milli-Amp-Hour) capacity in our existing roll-to-roll factory. We pushed the envelope on the technology on multiple fronts, constantly innovating to solve critical problems. Existing customers have kept in step with us on our journey, while a steady stream of new customers have filled the pipeline. Market opportunity remains real and strong and Ensurge is poised to lead the microbattery market and build a substantial profitable business within the next several years.

Condensed Consolidated Financial Report as of March 2022

Profit and Loss

Ensurge had zero sales revenue in the first three months of 2022 and USD 22 thousand in other revenue for the same time period. The Company had zero sales or other revenue in the first three months of 2021. The Company rapidly restructured its business operations around the priorities of achieving technical success in SSLB development and deployed a financial model that is optimized to support the Company's critical technical and market development milestones.

Operating costs amounted to USD 5,179 thousand during the first three months of 2022, including the cost of share-based compensation of USD 1,374 thousand. The corresponding figures for 2021 were USD 3,735 thousand and USD 529 thousand, respectively. The increase in operating costs, USD 1,444 thousand, was primarily attributable to the increase in payroll costs and share-based compensation. The change in expenses by major category are as follows:

1 USD 596 thousand higher payroll cost.

2 USD 845 thousand higher employee share-based remuneration costs. The fair value of granted employee subscription rights are valued based on the Black-Scholes formula and expensed over the vesting period.

3 USD 94 thousand higher premises and supplies costs.

4 USD 91 thousand lower other expenses.

The Company focused R&D efforts towards achieving technical success in solid-state lithium battery technology development. R&D spending for the first three months of 2022 totaled USD 659 thousand as compared to USD 798 for the same time period in 2021. Depreciation and amortization charges in the first three months of 2022 amounted to USD 12 thousand, equal to the USD 12 thousand incurred the same period in 2021.

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

Net financial items for the first three months of 2022 amounted to an expense of USD 1,217 thousand (2021: USD 1,014 thousand expense). Net financial items were primarily interest expenses of USD 621 thousand and USD 760 thousand in 2021 related to debt and financial lease included in the Company's balance sheet as well as warrant expenses in the first three months of 2022 totaling USD 435 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 loss for the first three months of 2022 was USD 6,408 thousand, corresponding to a basic loss per share of USD 0.03. For first three months of 2021, the loss was USD 4,761 thousand, corresponding to a basic loss per share of USD 0.11. 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 increased by USD 4,821 thousand for the first three months of 2022, compared to an increase of USD 3,628 thousand during the same period in 2021. The net increase in cash balance is explained by the following principal elements:

1 USD 4,986 thousand outflow from operating activities,

2 USD 180 thousand outflow from investing activities, and

3 USD 9,987 thousand inflow from financing activities.

The USD 4,986 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation, amortization and warrant expenses of USD 6,396 thousand. The cash balance on 31 March 2022 amounted to USD 11,674 thousand, while the cash balance on 31 March 2021 equaled USD 9,418 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 2,798 thousand (31 March 2021: USD 926 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 1,299 thousand as of 31 March 2022 (31 March 2021: USD 1,207 thousand). Non-current liabilities as of 31 March 2022 totaled USD 15,333 thousand (31 March 2021: USD 20,675 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 48 percent as of 31 March 2022, versus negative 337 percent as of 31 March 2021.

Principal Risks

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

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

I The Company's restructuring and refocus on microbattery technology has resulted in headcount and expenses in line with the Company's revised SSLB strategy and operating plan. As of 31 March 2022, the Company had a cash balance of approximately USD 11.7 million, including restricted cash of USD 1.6 million. To continue to fund the Company's activities further into 2022, the Company will have access to funds through the warrants being exercisable on 30 June 2022 and 30 November 2022. 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. 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 increases associated with Tranche 1 and Tranche 2 have been duly registered in the Register of Business Enterprises. The private placement includes two non-tradeable warrants for every share subscribed for in the private placement at no additional cost and with an exercise price equal to NOK 5.40 (as adjusted for the 9:1 share consolidation in March 2022). 50% of the private placement warrants will be exercisable on 30 June 2022 and the remaining 50% will be exercisable on 30 November 2022. If the warrants are not sufficiently exercised or there is a need for bridge financing, the Company will seek additional funds from the investor market or from partnership funding. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns.

II Currently, the most significant technical risk is solving the remaining issue necessary to enable shipment of functional samples to our customers. Technology development and engineering sample availability on Ensurge's sheet line, as well as technology transfer to and scale-up activities related to Ensurge's roll-to-roll line, can be adversely affected by several factors including but not limited to:

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

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

- Achievement of return-to-manufacturing readiness and qualification of the tool set.
- On site availability of vendor personnel to assist in requalification of the machines with battery materials set.
- Electro-Static Discharge (ESD) or other phenomena that may cause the need for process or mechanical handling changes in the manufacturing line.
- Lower than anticipated throughputs and uptime of the equipment with the battery material set resulting in a lower capacity than planned.
- Adequate environmental control of the manufacturing area and storage that might

compromise the composition, performance and defectivity of the device.

- New and unknown modes of yield loss necessitating process, practice, or equipment modifications that can result in a slower than planned yield ramp.
- Issues encountered during roll handling, processing, and assembly of ultrathin substrates and battery stacks.
- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

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

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

The Company cannot assure that the business will be successful or that we will be able to generate significant revenue. If we fail to establish and build relationships with our customers, or our customers' products which utilize our solutions do not gain widespread market acceptance, we may not be able to generate significant revenue. We do not sell any products to end users, and we do not control or influence the manufacture, promotion, distribution, or pricing of the products that incorporate our solutions. Instead, we are designing various devices and products that our OEM customers incorporate into their products, and we depend on such OEM customers to successfully manufacture and distribute products incorporating our solutions and to generate consumer demand through marketing and promotional activities. As a result of this, our success depends almost entirely upon the widespread market acceptance of our OEM customers' products that incorporate our devices. Even if our technologies successfully meet our customers' price and performance goals, our sales could fail to develop if our customers do not achieve commercial success in selling their products that incorporate our devices.

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

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

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

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

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

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

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

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

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

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

Going Concern

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

On 2 February 2022, the Company announced the completion of a private placement of 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 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 2 has been duly registered in the Register of Business Enterprises.

If the warrants are fully exercised, it will contribute an additional of NOK 100 million in proceeds to the Company.

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

To continue to fund the Company's activities through and beyond the third quarter of 2022, 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 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, resulting in gross proceeds of NOK 100 million. The potential gross proceeds for Tranche 1 warrants is NOK 50 million. The potential gross proceeds for Tranche 2 warrants is NOK 50 million.
- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitments;
- 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.

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 two private placements in the past fifteen months. As a consequence of uncertainty introduced by the Covid-19 pandemic, the Company has prioritized raising sufficient funds to provide adequate time to demonstrate a series of technology and market development milestones. Despite the material uncertainty to whether the group will be able to successfully raise funds as planned, the Board has concluded that the Company are not in a situation where there is no realistic alternative to continue as going concern and hence it is found appropriate to prepare the 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 2022	1 January - 31 March 2021	1 January - 31 December 2021
Sales revenue		—	—	—
Total revenue & Other Income				
Operating costs	9,10	(5,179)	(3,735)	(19,530)
Depreciation and amortization		(12)	(12)	(47)
Operating profit (loss)		**(5,191)**	**(3,747)**	**(19,577)**
Net financial items	12	(1,217)	(1,014)	(11,386)
Profit (loss) before income tax		(6,408)	(4,761)	(30,963)
Income tax expense		—	—	(32)
Profit (loss) for the period		**(6,408)**	**(4,761)**	**(30,995)**
Profit (loss) attributable to owners of the parent		**(6,408)**	**(4,761)**	**(30,995)**
Profit (loss) per share basic and diluted	6	(USD 0.03)	(USD 0.11)	(USD 0.02)
Profit (loss) for the period		(6,408)	(4,761)	(30,995)
Currency translation		—	—	(32)
Total comprehensive income for the period, net of tax		**(6,408)**	**(4,761)**	**(30,995)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 March 2022	31 March 2021	31 December 2021
ASSETS	7			
Non-current assets				
Property, plant and equipment	3	2,224	352	2,032
Other financial receivables	8	574	574	574
Total non-current assets		**2,798**	**926**	**2,606**
Current assets				
Trade and other receivables	8	1,299	1,207	1,822
Cash and cash equivalents (i)	11	11,674	9,418	6,853
Total current assets		**12,973**	**10,625**	**8,675**
TOTAL ASSETS		**15,771**	**11,551**	**11,281**
EQUITY	5			
Total Shareholder's Equity		**(7,579)**	**(38,880)**	**(13,481)**
LIABILITIES	7			
Non-current liabilities				
Long-term debt	11	4,782	8,807	5,854
Long-term financial lease liabilities	11	10,551	11,868	10,897
Total non-current liabilities		**15,333**	**20,675**	**16,751**
Current liabilities				
Trade and other payables		3,559	3,490	4,156
Warrants liability (ii)	12	434	22,119	-
Current portion of long-term debt	11	4,025	4,147	3,855
Total current liabilities		**8,018**	**29,756**	**8,011**
TOTAL EQUITY AND LIABILITIES		**15,771**	**11,551**	**11,281**

(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. See Note 12.

Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Share capital	Other paid-in equity	Other reserves	Currency translation	Retained earnings	Total
Balance at 1 January 2022	21,730	22,649	31,968	(13,801)	(76,027)	(13,481)
Share based compensation		1,396				1,396
Private Placement (February 2022)	2,056	8,820				10,876
Stock Rights Exercise	13	26				39
Comprehensive income					(6,408)	(6,408)
Balance at 31 March 2022	**23,799**	**32,890**	**31,968**	**(13,801)**	**(82,435)**	**(7,578)**
Balance at 1 January 2021	12,014	2,805	(2,852)	(13,801)	(45,032)	(46,866)
Share based compensation		529				529
Private placement related repair and warrant exercises (approved 20 May and 19 August 2020)	718	5,398	(208)			5,908
Private Placement (March 2021)	897	5,413				6,310
Comprehensive income					(4,761)	(4,761)
Balance at 31 March 2021	**13,630**	**14,145**	**(3,060)**	**(13,801)**	**(49,793)**	**(38,880)**
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 January - 31 March 2022	1 January - 31 March 2021	1 January - 31 December 2021
CASH FLOW FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(6,408)	(4,761)	(30,963)
Share-based payment (equity part)		1,396	529	4,933
Depreciation and amortization	3,4	12	12	46
Changes in working capital and non-cash items		(1,181)	(241)	18
Net financial items		1,195	1,015	11,386
Net cash from operating activities		**(4,986)**	**(3,446)**	**(14,580)**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	3	(202)	(138)	(1,807)
Proceeds from sale of fixed assets		22	—	1
Net cash from investing activities		**(180)**	**(138)**	**(1,807)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	5	10,915	8,223	25,172
Interest paid	4	(621)	(760)	(3,199)
Lease payments	4	(307)	(251)	(4,523)
Net cash from financing activities		**9,987**	**7,212**	**17,450**
Net increase (decrease) in cash and bank deposits		**4,821**	**3,628**	**1,063**
Cash and bank deposits at the beginning of the period		6,853	5,790	5,790
Cash and bank deposits at the end of the period (i)		**11,674**	**9,418**	**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 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 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 third quarter of 2022.

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 includes two non-tradeable warrants for every share subscribed for in the private placement at no additional cost and with an exercise price equal to NOK 5.40. 50% of the private placement warrants will be exercisable on 30 June 2022 and the remaining 50% will be exercisable on 30 November 2022. On 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. If the warrants are not sufficiently exercised, the Company will need to seek 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 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 24 May 2022.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 31 March 2022	
Net value on 1 January 2022	2,033
Additions	202
Depreciation	(12)
Net book value on 31 December 2022	**2,224**
Period ended 31 March 2021	
Net value on 1 January 2021	226
Additions	138
Depreciation	(12)
Net book value on 31 March 2021	**352**
Period ended 31 December 2021	
Net value on 1 January 2021	226
Additions	1,821
Depreciation	(14)
Net book value on 31 December 2021	**2,033**

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)	(526)
Interest expense	219
Lease liability as of 31 March 2022	**11,868**

In the statement of cash flow, principal portions of lease payments are included in line “Lease payment” with an amount of USD 307 thousand, and interest portions of the payments are included in line “Interest paid” with an amount of USD 219 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

The shares, subscription rights and warrant figures have been adjusted for the 9:1 share consolidated completed in March 2022.

Number of shares	
Shares at 1 January 2022	194,055,317
Shares at 31 March 2022	**212,690,508**
Shares at 1 January 2021	109,505,354
Shares at 31 December 2021	**194,055,317**

Number of subscription rights	1 January – 31 March 2022	1 January – 31 December 2021
Subscription rights opening balance	21,278,755	9,352,064
Grant of incentive subscription rights	90,000	13,577,039
Terminated, forfeited and expired subscription rights	(247,970)	(1,650,348)
Exercise of subscription rights	(116,672)	—
Subscription rights closing balance	**21,004,113**	**21,278,755**

Number of warrants	1 January – 31 March 2022	1 January – 31 December 2021
Warrants opening balance	—	75,464,686
Allotment of warrants	13,951,267	—
Exercise and expiry of warrants	—	(75,464,686)
Warrants closing balance	**13,951,267**	**-**

The board of directors resolved on 11 January 2022 to issue a total of 90,000 incentive subscription rights (as adjusted for the 9:1 share consolidation in March 2022) 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 6.30 per share. The subscription rights vest by 50% per year over two years and expire on 3 June 2026.

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 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 2 has been duly registered in the Register of Business Enterprises.

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

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 record date of the share consolidation was 11 March 2022.

6. Profit (loss) per share

	1 January – 31 March 2022	1 January – 31 March 2021	1 January – 31 December 2021
Profit (loss) attributable to shareholders (USD 1000)	(6,408)	(4,761)	(30,995)
Weighted average basic number of shares in issue	204,348,330	43,687,045	194,055,317
Weighted average diluted number of shares	204,348,330	43,687,045	194,055,317
Profit (loss) per share, basic and diluted	**(USD 0.03)**	**(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 2021, the guarantee liability amounted to USD 3,000 thousand.

8. Trade and other receivables

Amounts in USD 1,000	31 March 2022	31 March 2021	31 December 2021
Customer receivables	165	—	174
Other receivables, prepayments	1,275	1,207	5,076
Less: provision for impairment of receivables and prepayments	(141)	—	(3,428)
Sum	**1,299**	**1,207**	**1,822**

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 March 2022	1 January – 31 March 2021	1 January – 31 December 2021
Payroll	2,116	1,520	7,307
Share-based remuneration	1,374	529	4,933
Services	539	425	2,130
Premises, supplies	912	932	3,913
Sales and marketing	7	30	167
Other expenses	231	299	1,080
Total operating costs	**5,179**	**3,735**	**19,531**

10. Related party transactions

In the period 1 January to 31 March 2022 and 2021, Ensurge recorded USD 105 thousand and USD 81 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 2021, Ensurge recorded USD 44 thousand for advisory services from Acapulco Advisors AS, a shareholder of Ensurge.

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

As of 31 March 2022, the portion of 'Trade and other payables' attributable to related parties is USD 12 thousand.

11. Current and long-term debt

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

The Company entered into the Second Amendment (Amendment) in December 2020. The new terms of the amended agreement are that the lender agreed to accept modified payments from January 2021 through June 2021. In July 2021, regular payments resumed, and included a lump sum "true up" payment for each Schedule to repay the difference of the amounts due and the reduced payments permitted under this Amendment.

At 31 March 2022, the current portion of the loan principal is USD 4,025 thousand. The long-term portion of the principal of USD 4,782 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 March 2022, the guarantee liability amounted to USD 3,000 thousand.

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

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

Maturity schedule — liabilities

31 March 2022	1 year	2–3 years	3–4 years	4–5 years	Over 5 years
Principal obligations due	4,025	4,783	—	—	—
Interest payments	1,219	462	396	—	—
Lease payments	2,136	2,198	2,262	2,328	2,395
Total current and long-term debt	**7,380**	**7,443**	**2,658**	**2,328**	**2,395**

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 includes two non-tradeable warrants for every share subscribed for in the private placement at no additional cost and with an exercise price equal to NOK 5.40. 50% of the private placement warrants will be exercisable on 30 June 2022 and the remaining 50% will be exercisable on 30 November 2022.

On 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. 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 March 2022	As of 31 March 2021	As of 31 December 2021
Opening Balance	$—	$26,020	$26,020
Warrants Issued	434,065	—	—
Warrants Exercised	—	(3,813)	(32,404)
Change in fair value of warrant liability	—	970	(2,234)
Ending Balance	434,065	23,177	8,637
Deferred loss	—	(1,058)	(19)
Warrants liability	434,065	22,119	—

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

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

Private Placement and Subsequent Offering as approved on 24 February 2022	As of 31 March 2022
	Tranche 1 Warrant
Share price	NOK 4.56
Exercise price (as adjusted for the 9:1 share consolidation in March 2022)	NOK 5.40
Expected term (in years)	0.42
Expected share price volatility	46.93%
Annual rate of quarterly dividends	0.00%
Risk-free interest rate	0.51%
Warrant expiration date	30 June 2022

	Tranche 2 Warrant
Share price	NOK 4.56
Exercise price (as adjusted for the 9:1 share consolidation in March 2022)	NOK 5.40
Expected term (in years)	0.83
Expected share price volatility	35.12%
Annual rate of quarterly dividends	0.00%
Risk-free interest rate	0.163%
Warrant expiration date	30 November 2022

See Note 5 for more details.