Ensurge Micropower ASA

Third Quarter 2022

Interim Report and Financial Statements

ENSURGE™
MICROPOWER

Contents

Locations

Norway — Oslo

Corporate Headquarters
c/o House of Business

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

USA — San Jose

Global Headquarters

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

Contact

Kevin Barber

Chief Executive Officer
kevin.barber@ensurge.com

ensurge.com

Highlights

- Ensurge announced funding of approximately NOK 55 million in a private placement, split into 2 tranches
- Shipped high performing unit cells samples to three strategic partners, one of which is a multinational consumer devices company and two are in battery product and component businesses
- Current strategic partners represent more than USD 1bn in revenue potential
- Shipped first Ensurge packaged battery to one of our hearing aid customers
- Shipped packaged battery to innovative digital health device company with Q1 2023 forecasted demand
- Engaged in contract negotiations with a global leader in the information technology market
- Anticipate strategic partners to start funding co-development efforts during Q1 2023
- Strong increase in the production rate of battery cells during Q3 2022 and expected to increase further during Q4 2022 and 2023
- Actively engaging multiple US investment banks to raise equity into the California subsidiary to fund capital investment, increasing the San Jose facility's manufacturing capacity to meet customer demand in 2024

About Ensurge

Ensurge is Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond. Ensurge's innovative solid-state lithium microbattery (SSLB) technology is uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable batteries for diverse applications. The Company's state-of-the-art flexible electronics manufacturing facility, located in the heart of Silicon Valley, combines patented process technology and materials innovation with the scale of roll-to-roll production methods to bring the advantages of SSLB technology to established and expanding markets.

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

Business Review and Outlook

Ensurge built strong momentum during the last three months achieving important commercialization milestones delivering packaged batteries to two customers and unit cell battery samples to three strategic partners. The two customers are consumer device companies with signed agreements including a leader in hearables and a digital health innovator who plans to use the Ensurge microbattery in production in 2023.

The three strategic partners include a world leading consumer electronics and communications company with annual revenue potential for Ensurge of USD 500M and two world leading battery manufacturers with over USD 500M in revenue potential for Ensurge. In addition, Ensurge is in discussions with a global ICT corporation for a total of four strategic engagements with more companies in the pipeline. The Company is working to achieve a long-term, funded technology development agreement with a strategic partner.

Ensurge continued to increase the quantity of packaged batteries as well as unit cells that it manufactured while continuing to lower the impedance. Low impedance is key to capacity, faster charging and high cyclability. The progress lowering unit cell impedance is attributed to numerous breakthroughs optimizing the process conditions and interactions affecting the key interfaces between the stainless-steel substrate and the cathode, between the cathode and the solid electrolyte between the solid electrolyte and the overlay material where the lithium anode is formed so they work efficiently and effectively together. These innovations in the interfacial engineering within the microbattery have resulted in significant performance benefits over the last few months.

Improvements in the quantity of packaged batteries and unit cells were the result of improving the repeatability and consistency of the process. This also reflects the greater focus on manufacturing throughput and efficiency towards getting ready for commercial production and revenue in 2023. The larger quantity of unit cells is also providing data and associated learning allowing the Company to further fine-tune and improve the manufacturing process.

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

As Ensurge looks forward, it is focused on ramping up customer sampling, design wins, building the revenue pipeline and supporting that pipeline with manufacturing operations all towards commercial production and revenue in 2023. At the same time, the Company remains focused on strategic partners with a goal to sign at least one strategic partnership agreement which provides substantial funding starting in Q1 2023.

Condensed Consolidated Financial Report as of September 2022

Profit and Loss

Ensurge had zero sales revenue in the first nine months of 2022.

Operating costs amounted to USD 16,042 thousand during the first nine months of 2022, including the notional cost of share-based compensation of USD 3,515 thousand. The corresponding figures for 2021 were USD 14,416 thousand and USD 3,552 thousand, respectively. The increase in operating costs, USD 1,625 thousand, was primarily attributable to an increase in payroll costs. The expenses by major category are as follows:

1. USD 1,389 thousand higher payroll cost.
2. USD 37 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 469 thousand higher premises and supplies costs.
4. USD 197 thousand lower other expenses.

The Company focused R&D efforts towards achieving technical success in solid-state lithium battery technology development. The Company increased spending in the first nine months of 2022 in the operations area in support of R&D samples and production readiness. R&D spending for the first nine months of 2022 totaled USD 2,319 thousand as compared to USD 2,304 thousand for the same time period in 2021. Depreciation and amortization charges in the first nine months of 2022 amounted to USD 257 thousand, compared to 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 nine months of 2022 amounted to an expense of USD 203 thousand (first nine months of 2021: USD 10,641 thousand expense). Net financial items were primarily interest expenses of USD 1,879 thousand (first nine months of 2021: USD 1,686 thousand) related to debt and financial lease included in the Company's balance sheet as well as warrant expenses in 2022 of USD zero (first nine months of 2021: USD 8,800 thousand).

The Company operates at a loss and there is a tax loss carryforward position in the parent company and in the U.S. subsidiaries.

The loss for first nine months of 2022 was USD 16,502 thousand, corresponding to a basic loss per share of USD 0.08. For first nine months of 2021, the loss was USD 25,095 thousand, corresponding to a basic loss per share of USD 0.17. 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 2,166 thousand for the first nine months of 2022, compared to an increase of USD 7,260 thousand during the same period in 2021. The net decrease in cash balance is explained by the following principal elements:

1. USD 15,414 thousand outflow from operating activities,
2. USD 532 thousand outflow from investing activities, and
3. USD 13,780 thousand inflow from financing activities.

The USD 15,414 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation, amortization and warrant expenses of USD 16,244 thousand. The cash balance on 30 September 2022 amounted to USD 4,687 thousand, while the cash balance on 30 September 2021 equaled USD 13,050 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 2,921 thousand (30 September 2021: USD 1,817 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 1,184 thousand as of 30 September 2022 (30 September 2021: USD 1,021 thousand). Current liabilities as of 30 September 2022 includes USD 3,434 thousand in short term convertible debt (30 September 2021: zero). Non-current liabilities as of 30 September 2022 totaled USD 12,335 thousand (30 September 2021: 18,118 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 173 percent as of 30 September 2022, versus negative 53 percent as of 30 September 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:

The Company's restructuring and refocus on microbattery technology has resulted in headcount and expenses in line with the Company's revised SSLB strategy and operating plan. As of 30 September 2022, the Company had a cash balance of approximately USD 4.7 million, including restricted cash of USD 1.6 million. On 24 July 2022, the Company announced funding of NOK 57 million including NOK 46.7 million in convertible loans and NOK 10.3 million in a private placement (NOK 3.00 per share). The Ensurge Board approved the private placement and the terms of the convertible loans. On 17 August 2022, the Company received shareholder approval at an Extraordinary General Meeting for the terms of the convertible loans. On 8 November 2022, the Company announced funding of approximately NOK 55 million in a private placement, split into 2 tranches. The first tranche, completed on 8 November 2022, totals 18,256,183 shares at NOK 2.00 per share. The Ensurge Board approved Tranche 1 of the private placement. The shares allocated to Tranche 2 total 9,243,817 at NOK 2.00 per share. Tranche 2 is subject to approval by an EGM of the Company on 1 December 2022.

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.
- 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.

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

- Uncertain global economic conditions may adversely impact demand for our products or cause potential customers and other business partners to suffer financial hardship, which could cause delays in market traction and adversely impact our business.
- Our ability to meet our growth targets depends on successful product, marketing, and operations

innovation and successful responses to competitive innovation and changing consumer habits that may result in changes in our customers' specifications.

- Our revenues are dependent on the pace of technology evaluation and product qualification activities at our customers, and delays in battery or end-product qualification or changes to production schedules may affect the quantity and timing of purchases from Ensurge. Such customer qualification and customer production scheduling delays are generally outside the control of Ensurge.

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

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

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

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

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

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

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

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

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

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

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

Going Concern

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

As of the date of this report, the group and parent company have sufficient funds to support operations into the first quarter of 2023 after the recent private placement of NOK 55 million as described below. Any subsequent offering is subject to the share price and market conditions at the time.

To continue to fund the Company's activities through and beyond the first quarter of 2023, the Company is seeking alternative sources of financing to continue operations. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns.

As described in the Business Review and Outlook section The Company is focused on signing a strategic partnership agreement that the Company anticipates will provide substantial funding starting in Q1 2023. If a strategic partnership is not in soon enough, or if the funding provided by it is not sufficient, the Company will expect to raise additional funds from financial investors. To note, any subsequent offering is subject to the share price and the market conditions at the time.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the group, the board of directors has undertaken the following initiatives:

- Secured equity funding with a private placement of 13,951,267 shares (Tranche 1) (as adjusted for the 9:1 share consolidation in March 2022) and an allocation of 4,567,252 shares (Tranche 2) (as adjusted for the 9:1 share consolidation in March 2022) at a subscription price of NOK 5.40 per share. The gross proceeds from the private placement (both Tranche 1 and 2) was NOK 100 million.
- On 25 and 27 July 2022, the Company announced funding of NOK 57 million including NOK 46.7 million in convertible loans and NOK 10.3 million in a private placement. The Ensurge board approved the private placement and the terms of the convertible loans. On 17 August 2022, the Company received shareholder approval at an Extraordinary General Meeting for the terms of the convertible loans. The Convertible Loans are repayable one year following the date of the EGM (the "Maturity Date") and the lenders will be entitled at any time from six months from the EGM until the Maturity Date to convert the loans into shares in the Company at a conversion price of NOK 3.00. The Convertible Loans will carry interest at the rate of 5% per annum.
- On 8 November 2022, the Company announced funding of approximately NOK 55 million in a private placement, split into 2 tranches. The first tranche, completed on 8 November 2022 totals 18,256,183 shares at NOK 2.00 per share. The Ensurge Board approved Tranche 1 of the private placement. The shares allocated to Tranche 2 total 9,243,817 at NOK 2.00 per share. Tranche 2 is subject to approval by an EGM of the Company on 1 December 2022.
- The Company has 9,259,259 outstanding warrants that expire on 30 November 2022 and have exercise price of NOK 5.4. The Company, however, is not relying on execution of these warrants.
- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitments;
- Monitoring and reviewing opportunities for lease financing related to equipment purchases; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources.
- Actively engaging multiple US investment banks to raise equity into the California subsidiary to fund capital investment, increasing the San Jose facility's manufacturing capacity to meet customer demand in 2024.

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 and one convertible loan financing in the past eighteen 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 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 July - 30 September 2022	1 January - 30 September 2022	1 July - 30 September 2021	1 January - 30 September 2021	1 January - 31 December 2021
Sales revenue		—	—	—	—	—
Other income		—	—	—	—	—
Total revenue & other income		**—**	**—**	**—**	**—**	**—**
Operating costs	9,10	(4,817)	(16,042)	(5,974)	(14,416)	(19,530)
Depreciation and amortization		(99)	(257)	(12)	(38)	(47)
Operating profit (loss)		**(4,916)**	**(16,299)**	**(5,986)**	**(14,454)**	**(19,577)**
Net financial items	12	516	(203)	1,825	(10,641)	(11,386)
Profit (loss) before income tax		(4,400)	(16,502)	(4,161)	(25,095)	(30,963)
Income tax expense		—	—	—	—	(32)
Profit (loss) for the period		**(4,400)**	**(16,502)**	**(4,161)**	**(25,095)**	**(30,995)**
Profit (loss) attributable to owners of the parent		**(4,400)**	**(16,502)**	**(4,161)**	**(25,095)**	**(30,995)**
Profit (loss) per share basic and diluted	6	(USD0.02)	(USD0.08)	(USD0.03)	(USD0.17)	(USD0.16)
Profit (loss) for the period		(4,400)	(16,502)	(4,161)	(25,095)	(30,995)
Currency translation		—	—	—	—	—
Total comprehensive income for the period, net of tax		**(4,400)**	**(16,502)**	**(4,161)**	**(25,095)**	**(30,995)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	30 September 2022	30 September 2021	31 December 2021
ASSETS	7			
Non-current assets				
Property, plant and equipment	3	2,347	1,817	2,032
Other financial receivables	8	574	574	574
Total non-current assets		**2,921**	**2,391**	**2,606**
Current assets				
Trade and other receivables	8	1,184	1,021	915
Cash and cash equivalents (i)	11	4,687	13,050	6,853
Total current assets		**5,871**	**14,071**	**7,768**
TOTAL ASSETS		**8,791**	**16,462**	**10,374**
EQUITY	5			
Total Shareholder's Equity		**(15,212)**	**(8,880)**	**(13,481)**
LIABILITIES	7			
Non-current liabilities				
Long-term debt	11	2,495	6,881	5,854
Long-term financial lease liabilities	11	9,840	11,236	10,897
Total non-current liabilities		**12,335**	**18,118**	**16,751**
Current liabilities				
Trade and other payables		2,450	2,292	1,971
Short-term financial lease liabilities	11	1,396	1,240	1,278
Current portion of long-term debt	11	4,388	3,692	3,855
Warrants liability (ii)	12	—	—	—
Short-term convertible debt	13	4,788	—	—
Derivative liability	13	(1,524)		
Total current liabilities		**11,669**	**7,224**	**7,104**
TOTAL EQUITY AND LIABILITIES		**8,791**	**16,462**	**10,374**

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

(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		3,448				3,448
Private placement (February and August 2022)	2,096	9,125				11,221
Stock Rights Exercise	20	81				101
Comprehensive income					(16,502)	(16,502)
Balance at 30 September 2022	**23,846**	**35,304**	**31,968**	**(13,801)**	**(92,529)**	**(15,212)**
Balance at 1 January 2021	12,014	2,805	(2,852)	(13,801)	(45,032)	(46,866)
Share based compensation		3,062				3,062
Private placement related repair and warrant exercises (approved 20 May and 19 August 2020)	8,819	34,196	10,729			53,744
Private Placement (March 2021)	897	5,377				6,274
Comprehensive income					(25,095)	(25,095)
Balance at 30 September 2021	**21,731**	**45,440**	**7,877**	**(13,801)**	**(70,127)**	**(8,880)**
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 July - 30 September 2022	1 January - 30 September 2022	1 July - 30 September 2021	1 January - 30 September 2021	1 January - 31 December 2021
CASH FLOW FROM OPERATING ACTIVITIES						
Profit (loss) before tax		(4,399)	(16,501)	(4,161)	(25,095)	(30,963)
Share-based payment (equity part)		995	3,448	2,461	3,552	4,933
Depreciation and amortization	3,4	99	257	12	38	46
Changes in working capital and non-cash items		(1,222)	(2,821)	(710)	75	50
Net financial items		(516)	203	(1,825)	10,641	11,386
Net cash from operating activities		**(5,043)**	**(15,414)**	**(4,222)**	**(10,789)**	**(14,548)**
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	3	(229)	(570)	(388)	(1,591)	(1,839)
Proceeds from sale of fixed assets		0	22	—	—	1
Interest received		11	16	1	1	—
Net cash from investing activities		**(218)**	**(532)**	**(387)**	**(1,591)**	**(1,838)**
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issuance of shares	5	1,340	14,770	14,034	25,199	25,172
Proceeds from issuance of convertible debt	13	4,773	4,773	—	—	—
Interest paid	4	(682)	(1,879)	(728)	(2,241)	(3,199)
Lease payments	4	(1,341)	(3,883)	(2,699)	(3,319)	(4,523)
Net cash from financing activities		**4,089**	**13,780**	**10,607**	**19,639**	**17,450**
Net increase (decrease) in cash and bank deposits		**(1,172)**	**(2,166)**	**5,997**	**7,260**	**1,063**
Cash and bank deposits at the beginning of the period		5,859	6,853	7,053	5,790	5,790
Cash and bank deposits at the end of the period (i)		**4,687**	**4,687**	**13,050**	**13,050**	**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 ASA ("Thinfilm") on 22 December 2005 and was renamed to Ensurge Micropower. The Company's name change to Ensurge Micropower ASA was approved by shareholders at the Annual General Meeting on 3 June 2021 and registered with the Norwegian Register of Business Enterprises on 4 June 2021. Ensurge Micropower ASA Group ("Ensurge") consists of the parent company Ensurge ASA and the subsidiaries Ensurge Micropower Inc. ("Ensurge Inc.") and TFE Holding ("Thinfilm Holding.") The group was formed on 15 February 2006, when Thin Film Electronics ASA purchased the business and assets, including the subsidiary Thinfilm Electronics AB, from Thin Film OldCo AS ("OldCo").

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

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

2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the nine months ending 30 September 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 first quarter of 2023.

On 2 February 2022, the Company announced the completion of a private placement of 13,951,267 shares (Tranche 1) (as adjusted for the 9:1 share consolidation in March 2022) and an allocation of 4,567,252 shares (Tranche 2) (as adjusted for the 9:1 share consolidation in March 2022) at a subscription price of NOK 5.40 per share, resulting in gross proceeds of NOK 100 million. The private placement 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 expired on 30 June 2022 and the remaining 50% is 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.

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 Extraordinary General Meeting held 17 August 2022. The Board of Directors has authorization from the Annual General Meeting held 25 May 2022 to complete a private placement.

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

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 15 November 2022.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 30 September 2022	
Net book value on 1 January 2022	2,033
Additions	570
Depreciation	(257)
Net book value on 30 September 2022	**2,347**
Period ended 30 September 2021	
Net book value on 1 January 2021	226
Additions	1,603
Depreciation	(12)
Net book value on 30 September 2021	**1,817**
Period ended 31 December 2021	
Net book value on 1 January 2021	226
Additions	1,839
Depreciation	(32)
Net book value on 31 December 2021	**2,033**

4. Right-of-use

The Company entered into a lease agreement in November 2016 relating to the property building of its US headquarters in San Jose, CA. The lease in San Jose expires in September 2028. The borrowing rate applied in discounting of the nominal lease debt is 7.25%. Right-of-use assets are depreciated linearly over the lifetime of the related lease contract.

	Lease liability
Lease liability recognized at 1 January 2022	12,175
Lease payment (see note below)	(1,579)
Interest expense	640
Lease liability as of 30 September 2022	**11,236**

In the statement of cash flow, principal portions of lease payments are included in line "Lease payment" with an amount of USD 939 thousand, and interest portions of the payments are included in line "Interest paid" with an amount of USD 640 thousand. Both of them are presented as cash flow from financing activities.

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

5. Shares, subscription rights and warrants

Number of shares	
Shares at 1 January 2022	194,055,317
Shares at 30 September 2022	**216,728,498**
Shares at 1 January 2021	109,505,354
Shares at 31 December 2021	**194,055,317**

Number of subscription rights	1 January - 30 September 2022	1 January - 30 September 2021	1 January – 31 December 2021
Subscription rights opening balance	21,278,755	9,352,064	9,352,064
Grant of incentive subscription rights	3,101,500	12,797,039	13,577,039
Terminated, forfeited and expired subscription rights	(2,291,544)	(868,063)	(1,650,348)
Exercise of subscription rights	(737,996)	—	—
Subscription rights closing balance	**21,350,715**	**21,281,041**	**21,278,755**

Number of warrants	1 January - 30 September 2022	1 January - 30 September 2021	1 January – 31 December 2021
Warrants opening balance	—	75,464,686	75,464,686
Allotment of warrants	18,518,518	—	—
Exercise and expiry of warrants	(9,259,259)	(75,464,686)	(75,464,686)
Warrants closing balance	**9,259,259**	**0**	**0**

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.

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

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

On 24 February 2022, the Company received shareholder approval at an Extraordinary General Meeting to increase the authorized share capital to include the shares allocated in Tranche2, the warrants associated with Tranche 1 and Tranche 2, and a 9:1 share consolidation. The share capital increase associated with Tranche 2 has been duly registered in the Register of Business Enterprises.

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

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

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

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

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

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 Extraordinary General Meeting held 17 August 2022. The Board of Directors has authorization from the Annual General Meeting held 25 May 2022 to complete a private placement. The Convertible Loans are repayable after one year following the date of the EGM (the "Maturity Date") and the lenders are entitled at any time after six months from the EGM until the Maturity Date to convert the loans into shares in the Company at a conversion price of NOK 3.00. The Convertible Loans carry interest at the rate of 5% per annum.

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

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

6. Profit (loss) per share

	1 January – 30 September 2022	1 January – 30 September 2021	1 January – 31 December 2021
Profit (loss) attributable to shareholders (USD 1000)	(16,502)	(25,095)	(30,995)
Weighted average basic number of shares in issue	210,907,783	137,869,618	194,055,317
Weighted average diluted number of shares	210,907,783	137,869,618	194,055,317
Profit (loss) per share, basic and diluted	**(USD 0.08)**	**(USD 0.17)**	**(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	30 September 2022	30 September 2021	31 December 2021
Customer receivables	138	—	174
Other receivables, prepayments	1,160	1,157	881
Less: provision for impairment of receivables and prepayments	(114)	(136)	(140)
Sum	**1,184**	**1,021**	**915**

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

9. Operating costs

Amounts in USD 1,000	1 January - 30 September 2022	1 January - 30 September 2021	1 January - 31 December 2021
Payroll	6,755	5,366	7,307
Share-based remuneration	3,515	3,552	4,933
Services	1,358	1,509	2,130
Premises, supplies	3,468	2,999	3,913
Sales and marketing	94	138	167
Other expenses	852	853	1,079
Total operating costs	**16,042**	**14,416**	**19,530**

10. Related party transactions

In the period 1 January to 30 September 2022 and 2021, Ensurge recorded USD 215 thousand and USD 294 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which Ensurge's Chairman is a partner.

In the period 1 January to 30 September 2022 and 2021, Ensurge recorded USD 145 thousand and USD 116 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 30 September 2022, the portion of 'Trade and other payables' attributable to related parties is USD 49 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).

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

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

At 30 September 2022, the current portion of the loan principal is USD 4,388 thousand. The long-term portion of the principal of USD 2,495 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 30 September 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.

On 24 July 2022, the Company announced that it secured funding totaling NOK 57 million. Of this amount, NOK 46.7 million represents commitments to subscribe for convertible loans. The Convertible Loans were approved at the Extraordinary General Meeting held 17 August 2022. The Convertible Loans are repayable after one year following the date of the EGM (the "Maturity Date") and the lenders are entitled at any time after six months from the EGM until the Maturity Date to convert the loans into shares in the Company at a conversion price of NOK 3.00. See Note 13.

Maturity schedule — liabilities

30 September 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2024	2025	2026	2027-2028
Principal obligations due	1,028	1,073	1,120	1,169	1,221	1,275	—	—	—
Interest payments	285	239	192	143	91	38	—	—	—
Lease payments	542	542	542	542	558	2,246	2,311	2,378	4,322
Convertible debt, including interest	—	—	4,524	—	—	—	—	—	—
Total current and long-term debt	**1,855**	**1,854**	**1,854**	**6,378**	**1,870**	**3,559**	**2,311**	**2,378**	**4,322**

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 expired on 30 June 2022 and the remaining 50% is 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 30 September 2022	As of 30 September 2021	As of 31 December 2021
Opening balance	$—	$26,020	$26,020
Warrants issued	434	—	—
Warrants exercised	—	(34,638)	(32,404)
Warrants expired	(169)	—	—
Change in fair value of warrant liability	(265)	8,637	(2,234)
Ending balance	—	19	8,637
Deferred loss	—	(19)	(19)
Warrants liability	**—**	**—**	**—**

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 30 September 2022
	Tranche 2 Warrant
Share price	NOK 1.99
Exercise price	NOK 5.40
Expected term (in years)	0.17
Expected share price volatility	38.73%
Annual rate of quarterly dividends	0.00%
Risk-free interest rate	3.52%
Warrant expiration date	30 November 2022

See Note 5 for more details.

13. Convertible debt

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

The Convertible Loans are denominated in Norwegian Kroner (NOK); however, the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that were received by the Company were not fixed and varied based on foreign exchange rates. A portion of the loans, the conversion feature, is a derivative required to be recognized and measured at fair value at each reporting period. Any changes in fair value in the Convertible Loans from period to period is recorded as a non-cash gain or loss in the consolidated statement of net loss/(income) and comprehensive loss/(income), in accordance with IFRS 13. The Convertible Loans, including accrued interest, are classified as short-term liability at amortized cost. The conversion feature derivative liability is classified as short-term held-for-trading liability. The derivative liability is measured using Black Scholes valuation model.

A summary of the Convertible Loans terms and valuation is below:

	30 September 2022
Short term debt	$4,788
Derivative liabilitiy	1,524
Accrued interest	23
Conversion price	NOK 3.00
Interest rate	5%
Maturity date	17 August 2023

14. Events occurring after the balance sheet date

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

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

Payment of Tranche 2 is expected on or about 1 December 2022, however, the Tranche 2 Offer Shares will not be tradable until a prospectus has been approved by the Financial Supervisory Authority of Norway.

The Board will further propose to the EGM that a subsequent offering of new shares in the Company is carried out at a subscription price per share equal to the subscription price in the private placement. The maximum amount of the subsequent offering would be NOK 15 million. The subsequent offering would be subject to among other things (i) completion of the private placement, (ii) relevant corporate resolutions including approval by the EGM, (iii) prevailing market price of Ensurge’s shares being higher than the Subscription Price, and (iv) approval of the Prospectus by the Financial Supervisory Authority of Norway.