Ensurge Micropower ASA

First Half 2023

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

Terje Rogne
Chairman
terje.rogne@ensurge.com

ensurge.com

About Ensurge

Ensurge is Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond.

Ensurge's innovative solid-state lithium microbattery (SSLB) technology is uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable microbatteries for diverse applications.

The Company's state-of-the-art flexible electronics manufacturing facility, located in the heart of Silicon Valley, combines patented process technology and materials innovation with the scale of roll-to-roll production methods to bring the advantages of SSLB technology to established and expanding markets.

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

Business Review and Outlook

Ensurge is now entering a phase where the financial community will witness the fruits of our arduous and disciplined labor. Over a decade of painstaking development generating an in-depth understanding of the properties of stainless steel have allowed the company to harness this expertise for a battery technology that was initially conceived as a viable approach for superior battery performance nearly three decades ago.

In Q2 and into Q3 there has been a significant increase in output from Ensurge's development program. The company is now producing an increasing number of stacked multilayer solid-state micro batteries daily, enabling us to conduct tests and continuously enhance battery performance. This endeavor is a numbers game, where the quantity of tests conducted provides a more precise understanding of which production parameters to adjust and by how much in order to improve overall output.

The company anticipates the delivery of the first multi-layer stacked solid-state micro battery to our customers and technology partners in Q3 2023. While this may not hold much significance for outsiders, those closely following the industry will perceive it as a breakthrough, a realization of the "holy grail."

While we are not the only ones producing single-layer batteries of this kind, the IoT device industry requires a battery with Ensurge's capacity occupying the smallest footprint possible. Compensating lack of capacity with a larger footprint is simply not feasible due to design constraints in end devices. Therefore, the only solution for Ensurge's solid-state battery technology is to stack the layers and utilize height as well. The expected delivery dates for test samples of our multi-layer micro batteries will also serve as confirmation that we are on track to commence volume deliveries to our first announced customer. These solid-state electrolyte micro batteries will measure 6.4 mm x 4.6 mm x 1.2 mm and possess a capacity of approximately 6 mAh. This translates to a battery with more than twice the energy density of today's lithium batteries with liquid electrolytes. Moreover, it will charge to a minimum of 80% capacity within 20 minutes, as opposed to several hours. It will also have a longer lifespan, with 2–3 times the number of charge cycles, and will eliminate the fire hazard associated with current lithium batteries. Witnessing how a malfunction in today's lithium batteries can cause the temperature to skyrocket from room temperature to 1000° Celsius within a second, it becomes evident why wearable IoT device manufacturers design their batteries to be as far away from the body as possible.

The management team is now focusing on the following activities that will propel the technology and company forward.

- The first of many patents was issued on 22 August, serving as evidence of the development of a truly unique technology. There are several more patent applications already filed and further filings are expected.
- We expect to participate in government support programs for mission-critical technology developments in the United States. Numerous prominent technology companies have already received millions of dollars through these programs. The US government is determined to ensure that its own progress is not hindered by a lack of access to core technologies due to geopolitical circumstances. We expect confirmation of our participation in these programs to occur this fall.
- Operating from a spacious facility in the heart of Silicon Valley, equipped with state-of-the-art machinery ideally suited for battery technology development, we also recognize an opportunity to establish a multidisciplinary development center. Currently, we are utilizing only a fraction of the available capacity, and thus, we have extended invitations to select interested parties for contract manufacturing services. These parties have a strong interest in accessing this machinery due to its proximity to their respective headquarters, customers, and technology partners. In addition to reducing our monthly expenses, this move will provide a solid foundation for knowledge sharing, idea exchange, further improvements in our machinery, and shared services. Contract

manufacturing income to fund monthly operational costs is of utmost importance. It is no secret that we face capital constraints, and therefore, we must make every dollar stretch as far as possible.

- We are currently preparing a subsequent offering to the private placement in June of this year. Subsequently, we will embark on a new round of capital raising. We require a financial runway that extends well into next year before we can leverage our battery technology through revenues and investments from technology partners, enabling us to stand on our own feet without the need for additional shareholder funding.
- Based on the aforementioned announcements, we are confident that we will be able to undertake this capital raising with a more profound understanding from the financial community of the compelling business foundation that Ensurge represents.

A six-month game plan was established together with key management in March, and progress is measured against it. Top priorities in this plan are:

- Deliver production ready samples to our key customers and ramp production in Q3 and Q4. We have a production order, six paying customer evaluation agreements and several more in final stage of negotiations. Ensurge received the first production order for 150,000 batteries from its lead production customer, a digital health innovator for delivery starting in Q1 2024, and expect additional orders in 2024 and beyond from this lead customer. This order validates Ensurge's value proposition and unique differentiation of our technology. Ensurge's lead customer can now create products with features that would be impossible to offer without the fast- charging performance and 2X energy density of Ensurge's solid-state lithium microbattery in addition to its flexible form factors.
- Reduce cost, including office sub-lease and financial restructuring considerations aimed at reducing monthly cash burn-rate. As a result Q2 2023 total operating costs were down 38% year-on-year.
- Apply for grants and other government incentives that are aligned with our vision.
- Continue to work closely with our customers and partners that need our battery to execute on their roadmap. customer prospects will require substantial investments in our own production capacity. Furthermore, a successfull market launch of the SSLB 6mAh is expected to bring about a demand explosion from other existing device makers of space constrained IoT solutions and allow for the market launch of new high volume applications currently put on hold due to lack of battery capacity. Lead time for new roll-to-roll equipment is from 6–12 months and other investments may add additional lead time. Hence, the company is in addition to own capacity expansion contemplating to outsource manufacturing through licensing agreements allowing the battery technology to be brought to market verticals where Ensurge does not have capacity or presence to reach. Securing a long term financial foundation for Ensurge through such licensing arrangements will allow the company to move further towards becoming a battery technology incubator. Furthermore, it will allow the company to bring to the market batteries with even dramatically improved features allowing for much greater addressable market opportunities.
- Interim CFO Lars Eikeland replaced Mark Newman as Interim CEO on 15 July and will act in both roles until a permanent CEO is in place. The process of recruiting a permanent CEO is underway. Until a new CEO is in place, the Chairman, Terje Rogne, is taking on a hands-on approach working closely with the CEO and the executive team.

Condensed Consolidated Financial Report as of June 2023

Profit and Loss

Ensurge recognized USD 10 thousand in revenue from one of the evaluation agreements in the first six months of 2023 and zero revenue for the same period in 2022.

Operating costs amounted to USD 6,902 thousand during the first six months of 2023, including the notional cost of share-based compensation of USD 810 thousand. The corresponding figures for the first six months of 2022 were USD 11,224 thousand and USD 3,166 thousand, respectively. The 38% decrease in operating costs, USD 4,322 thousand, was primarily attributable to decreases in payroll costs and share-based compensation. The expenses by major category are as follows:

1. USD 1,862 thousand lower payroll cost.
2. USD 2,356 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 104 thousand higher other expenses.

The Company focused R&D efforts towards achieving technical success in solid-state lithium battery technology development. The Company increased spending in the operations area in support of R&D samples and production readiness. Depreciation and amortization charges in the first six months of 2023 amounted to USD 266 thousand, compared to USD 158 thousand incurred the same period in 2022.

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

Net financial items for the first six months of 2023 amounted to an expense of USD 1,588 thousand (2022: USD 719 thousand expense).

Net financial items for the first six months of 2023 were primarily interest expense of USD 2,012 thousand (2022: USD 1,197 thousand) related to debt and financial lease included in the Company's balance sheet offset by a credit related to the net realized and unrealized currency gain. (See Note 5.)

The Company operates at a loss and there is a tax loss carryforward position in the parent company and in the U.S. subsidiaries. The parent company in Norway has not incurred any tax during 2023 or 2022.

The net loss in for the first six months of 2023 was USD 8,747 thousand, corresponding to a basic loss per share of USD 0.02. For the first six months of 2022, the net loss was USD 12,102 thousand, corresponding to a basic loss per share of USD 0.06.

Cash Flow

The group's cash balance decreased by USD 2,885 thousand in the first six months of 2023, compared to a decrease of USD 994 thousand during the first six months of 2022. The net decrease in cash is explained by the following principal elements:

1. USD 6,078 thousand outflow from operating activities,
2. USD 152 thousand outflow from investing activities, and
3. USD 3,345 thousand inflow from financing activities.

The USD 6,078 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation and amortization expenses of USD 8,481 thousand. The cash balance on 30 June 2023 amounted to USD 2,079 thousand, while the cash balance on 30 June 2022 equaled USD 5,859 thousand. The cash balances include restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Ensurge Micropower ASA to the landlord of the San Jose, California facility. (See Note 11.)

Balance Sheet

Non-current assets at 30 June 2023 amounted to USD 2,668 thousand (30 June 2022: USD 2,790 thousand). Trade and other receivables amounted to USD 726 thousand as of 30 June 2023 (30 June 2022: USD 927 thousand). Current liabilities as of 30 June 2023 includes USD 4,285 thousand in short term convertible debt (30 June 2022: zero). Non-current liabilities as of 30 June 2023 totaled USD 14,821 thousand (30 June 2022: 13,862 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 344 percent as of 30 June 2023, versus negative 127 percent as of 30 June 2022.

Principal Risks

Ensurge'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 June 2023, the Company had a cash balance of approximately USD 2.1 million, including restricted cash of USD 1.6 million.

Ensurge's predominant risks are financial, technical/operational, as well as geopolitical and market risks, as summarized below:

Financial Risks

Ensurge is exposed to financial risks related to fluctuations in foreign exchange rates, interest rates, raw material prices which may affect revenues and cost and profitability. Furthermore, the performance of stock market and stocks as investments will influence the share price and ability to attract funding and the terms of such. As Ensurge is progressing towards delivering product samples with no major income stream supporting it, liquidity becomes a strain. Hence, there is a risk of not being able to pay employees and suppliers and thereby ceasing activities. Reference is made to the Going Concern section for more details.

Technical Risks

Currently, technology development and engineering sample availability on Ensurge's sheet line, as well as technology transfer 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.
- Requisite environmental control of the manufacturing and storage area.
- Equipment reliability, modifications needed, and process optimization may limit uptime, throughput and quality of 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.
- 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 requiring process or mechanical handling changes on the manufacturing line.
- New and unknown modes of yield loss necessitating process, practice, or equipment modifications that can result in a slower than planned yield ramp.

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.

Operational Risks

Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our operating results. The inability to obtain enough components and other materials necessary to produce could result in reduced or delayed sales or lost orders.

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 enough 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.

Geopolitical Risks

Uncertain global economic conditions adversely impact demand for our products or cause potential customers and other business partners to suffer financial hardship, causing delays in market traction adversely impacting our business.

The current slowdown in the global economy — driven by many factors such as the Russia-Ukraine war, inflation, slow demand and tighter monetary policies — affect everyone.

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. Increased geopolitical tensions may affect our supply chain.

Market Risks

We cannot predict the size or growth rate of the markets we operate in, or the market share we will achieve or maintain in the future. Our ability to generate significant revenue from new markets will depend on various factors, including the following:

- The development and growth of these markets.
- Our ability to address the needs (price, performance and preference) of these markets; 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.
- Many of the markets that Ensurge targets 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:
- Our growth targets depends on successful innovation in response to competitors and changing consumer habits.
- Our revenues are dependent on pace of technology evaluation and product qualification activities at our customers (OEMs), and delays in battery or end-product qualification or changes to production schedules may affect the quantity and timing of purchases from Ensurge. Such delays are generally outside of Ensurge's control.

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.

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 Q4 2023 after the recent capital injections and loan restructuring, as described below.

The Company is seeking alternative sources of financing to continue operations. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as a going concern.

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

- On 15 June 2023, the Company announced funding of NOK 48.4 million through a private placement. It was also announced that the terms of the NOK 46.8 million convertible loan due 17 August 2023, were amended, changing the conversion price from NOK 3 to NOK 0.10 per share. Furthermore, the loan was extended until 17 August 2024. It was also announced that a subsequent offering of NOK 20 million will take place ultimo August 2023, approved at the Extraordinary General Meeting (EGM) on 11 July 2023.
- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitment
- Monitoring and reviewing opportunities for lease financing related to equipment purchases
- Actively seeking opportunities for contracted manufacturing services, increasing the utilisation of manufacturing space and equipment thereby creating recurring monthly income for the company.
- Seeking US government grants
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources; and
- Actively exploring options to raise equity to fund operations beyond third quarter 2023.

The Company has prioritized raising sufficient funds to provide adequate time to demonstrate a series of technology and market development milestones. Ensurge has successfully completed three private placements and one convertible loan financing in the past eighteen months. Despite the material uncertainty to whether the group will be able to successfully raise funds as planned, the Board has concluded that the Company is not in a situation where there is no realistic alternative to continue as going concern and hence it is found appropriate to prepare the interim financial statements on the going concern basis.

Ensurge Micropower ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 January – 30 June 2023	1 January – 30 June 2022	1 January – 31 December 2022
Sales revenue		10	—	—
Other income		—	—	—
Total revenue and other Income		**10**	**—**	**—**
Operating costs	3,4	(6,902)	(11,225)	(19,978)
Depreciation and amortization		(266)	(158)	(402)
Operating profit (loss)		**(7,158)**	**(11,383)**	**(20,380)**
Net financial items	5	(1,588)	(719)	(2,988)
Profit (loss) before income tax		(8,747)	(12,102)	(23,369)
Income tax expense		—	—	—
Profit (loss) for the period		**(8,747)**	**(12,102)**	**(23,369)**
Profit (loss) attributable to owners of the parent		**(8,747)**	**(12,102)**	**(23,369)**
Profit (loss) per share basic and diluted	6	(USD0.02)	(USD0.06)	(USD0.11)
Profit (loss) for the period		(8,747)	(12,102)	(23,369)
Currency translation		—	—	—
Total comprehensive income for the period, net of tax		**(8,747)**	**(12,102)**	**(23,369)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	30 June 2023	30 June 2022	31 December 2022
ASSETS	7			
Non-current assets				
Property, plant and equipment	8	2,094	2,216	2,169
Other financial receivables	9	574	574	574
Total non-current assets		**2,668**	**2,790**	**2,743**
Current assets				
Trade and other receivables	9	726	927	868
Cash and cash equivalents (i)	11	2,079	5,859	4,963
Total current assets		**2,806**	**6,786**	**5,832**
TOTAL ASSETS		**5,474**	**9,576**	**8,575**
EQUITY	10			
Total Shareholder's Equity		**(18,848)**	**(12,154)**	**(16,246)**
LIABILITIES	7			
Non-current liabilities				
Long-term debt	11	6,145	3,663	6,750
Long-term financial lease liabilities	11,12	8,676	10,199	9,459
Total non-current liabilities		**14,821**	**13,862**	**16,209**
Current liabilities				
Trade and other payables		1,762	2,301	2,511
Current portion of long-term debt	11	1,275	4,202	748
Short-term financial lease liabilities	11,12	1,522	1,356	1,438
Derivative and short-term convertible debt	11,13	4,942	—	3,915
Warrants liability		—	9	—
Total current liabilities		**9,501**	**7,868**	**8,612**
TOTAL EQUITY AND LIABILITIES		**5,474**	**9,576**	**8,575**

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

Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Share capital	Other paid-in equity	Other reserves	Currency translation	Retained earnings	Total
Balance at 1 January 2023	**26,911**	**38,071**	**31,968**	**(13,801)**	**(99,396)**	**(16,246)**
Reduction of share capital by reduction of PAR	(20,605)	(38,071)	—	—	58,676	—
Private placement	5,445	(110)	—	—	—	5,335
Share based compensation	—	810	—	—	—	810
Comprehensive income	—	—	—	—	(8,747)	(8,747)
Balance at 30 June 2023	**11,752**	**700**	**31,968**	**(13,801)**	**(49,467)**	**(18,848)**
Balance at 1 January 2022	**21,730**	**22,649**	**31,968**	**(13,801)**	**(76,027)**	**(13,481)**
Share based compensation	—	2,453	—	—	—	2,453
Private placement	2,056	8,820	—	—	—	10,876
Stock option exercise	20	81	—	—	—	101
Comprehensive income	—	—	—	—	(12,102)	(12,102)
Balance at 30 June 2022	**23,806**	**34,003**	**31,968**	**(13,801)**	**(88,129)**	**(12,154)**
Balance at 1 January 2022	**21,730**	**22,649**	**31,968**	**(13,801)**	**(76,027)**	**(13,481)**
Share based compensation	—	3,506	—	—	—	3,506
Private placement (February, August and December 2022)	5,161	11,812	—	—	—	16,973
Stock rights exercise	20	104	—	—	—	124
Comprehensive income	—	—	—	—	(23,369)	(23,369)
Balance at 31 December 2022	**26,911**	**38,071**	**31,968**	**(13,801)**	**(99,396)**	**(16,246)**

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 January – 30 June 2023	1 January – 30 June 2022	1 January – 31 December 2022
CASH FLOW FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(8,747)	(12,102)	(23,369)
Share-based payment (equity part)		810	2,453	3,506
Depreciation and amortization	8,12	266	158	402
Changes in working capital and non-cash items		(651)	(1,601)	58
Net financial items		1,588	719	2,988
Net cash from operating activities		**(5,421)**	**(10,372)**	**(16,414)**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	8	(191)	(341)	(557)
Proceeds from sale of fixed assets		—	22	22
Interest received		39	5	49
Net cash from investing activities		**(152)**	**(314)**	**(486)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	10	5,335	13,430	17,098
Proceeds from liquidity loan	11,13	657	—	—
Proceeds from issuance of convertible debt	11,13	—	—	4,773
Interest paid	12	(1,214)	(1,197)	(2,320)
Lease payments	12	(776)	(2,542)	(4,540)
Net cash from financing activities		**4,002**	**9,692**	**15,010**
Net increase (decrease) in cash and bank deposits		**(2,884)**	**(994)**	**(1,890)**
Cash and bank deposits at the beginning of the period		4,963	6,853	6,853
Cash and bank deposits at the end of the period (i)		**2,079**	**5,859**	**4,963**

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

Notes to the Consolidated Financial Statements

1. Information about the group

Ensurge Micropower ASA ("Ensurge" or "the Company") was founded as Thin Film Electronics AS ("Thinfilm") on 22 December 2005 and was renamed to Ensurge Micropower. Ensurge Micropower ASA Group ("Ensurge") consists of the parent company Ensurge ASA and the subsidiaries Ensurge Micropower Inc. ("Ensurge Inc.") and TFE Holding ("Thinfilm Holding.") The group was formed on 15 February 2006, when Thin Film Electronics ASA purchased the business and assets, including the subsidiary Thinfilm Electronics AB, from Thin Film OldCo AS ("OldCo").

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

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

2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the six months ending 30 June 2023 has been prepared in accordance with IAS 34 interim financial reporting. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2022. The IFRS accounting policies applied in this condensed consolidated interim financial report are in all materiality consistent with those applied and described in the consolidated annual financial statements for 2022. The interim financial statements have not been subject to audit.

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. Per the date of this report, the group and the parent company have sufficient funds to support operations into Q4 2023.

On 24 May 2023 the AGM approved a private placement totaling 74,422,849 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 7,442 thousand, in addition to the liquidity loan of NOK 7 million obtained in June 2023. To continue to fund the Company's activities, the Company will seek funds from the investor market and from partnership funding. The EGM on 11 July 2023 approved Tranche 2 of the private placement (409,817,412 shares) raising NOK 41 million, conversion of minimum 85% of the convertible loan to shares at NOK 0.01 and a subsequent offering raising NOK 20 million in August 2023. The mentioned capital increase will secure the funding into Q4 2023. However, as funding is not secured for the next 12 months, a material uncertainty exists as to whether the Company and group will continue as going concern. The Company and group are dependent on successfully raising funds as planned. The board of directors is working activity to secure additional funds and monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. 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. 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 29 August 2023.

3. Operating costs

Amounts in USD 1,000	1 January – 30 June 2023	1 January – 30 June 2022	1 January – 31 December 2022
Payroll	2,473	4,335	8,927
Share-based remuneration	810	3,166	3,259
Services	974	1,027	1,985
Premises, supplies	1,868	2,000	4,614
Sales and marketing	167	62	117
Other expenses	610	635	1,077
Total operating costs	**6,902**	**11,224**	**19,979**

4. Related party transactions

In the period 1 January to 30 June 2023 and 2022, Ensurge recorded USD 198 thousand and USD 148 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which one of Ensurge's board members is a partner.

In the period 1 January to 30 June 2023, Ensurge recorded USD 70 thousand and USD 44 thousand for advisory services from Acapulco Advisors AS, a shareholder of Ensurge.

As of 30 June 2023, the portion of 'Trade and other payables' attributable to related parties is USD 80 thousand.

5. Net financial items

Amounts in USD 1,000	1 January – 30 June 2023	1 January – 30 June 2022	1 January – 31 December 2022
Interest income	39	5	49
Interest expense	(2,012)	(1,197)	(3,728)
Net realized and unrealized currency gain/(loss)	371	490	(609)
Warrant expenses	—	(8)	—
Change in fair value of derivative liability	54	—	1,300
Other expenses	(39)	(9)	—
	(1,588)	**(719)**	**(3,540)**

6. Profit (loss) per share

	1 January – 30 June 2023	1 January – 30 June 2022	1 January – 31 December 2022
Profit (loss) attributable to shareholders (USD 1,000)	(8,747)	(12,102)	(23,369)
Weighted average basic number of shares in issue	514,355,979	208,604,253	215,182,212
Weighted average diluted number of shares	514,355,979	208,604,253	215,182,212
Profit (loss) per share, basic and diluted	**(USD 0.02)**	**(USD 0.06)**	**(USD 0.11)**

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares, but the diluted result per share equals the result per basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the adjusted exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

The weighted average basic and diluted number of shares have been adjusted to reflect the 9:1 share consolidation completed 11 March 2022.

7. Guarantees

As a part of the relocation of Ensurge's US headquarters in 2017, a USD 1,600 thousand Letter of Credit has been issued by Ensurge Micropower ASA to the landlord. Ensurge Micropower ASA has, in addition, entered into a Tenancy Guarantee with the landlord. The guarantee is given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 30 June 2023, the guarantee liability amounted to USD 2,500 thousand.

8. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 30 June 2023	
Net book value on 1 January 2023	2,169
Additions	191
Depreciation	(266)
Net book value on 30 June 2023	**2,094**
Period ended 30 June 2022	
Net book value on 1 January 2022	2,033
Additions	341
Depreciation	(158)
Net book value on 30 June 2022	**2,216**
Period ended 31 December 2022	
Net book value on 1 January 2022	2,033
Additions	556
Disposals	(18)
Depreciation	(402)
Net book value on 31 December 2022	**2,169**

9. Trade and other receivables

Amounts in USD 1,000	30 June 2023	30 June 2022	31 December 2022
Customer receivables	124	148	149
Other receivables, prepayments	716	903	844
Less: provision for impairment of receivables and prepayments	(114)	(124)	(125)
Sum	**726**	**927**	**868**

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

10. Shares, warrants and subscription rights

Number of shares	2022
Shares at 1 January 2023	244,228,498
Shares at 30 June 2023	**818,651,347**
Shares at 1 January 2022	194,055,317
Shares at 31 December 2022	**244,228,498**

On 14 March 2023, the EGM approved a proposal that the Group's employees shall be given a choice on whether to receive subscription rights instead of a set percentage of the employees' base pay, maximized to 20% of the salary, over the next six months; provided, however, that such conversion is obligatory for executive officers in respect of minimum 20% (and maximum 50% if chosen by the executive) of their cash salary over such period. The EGM approved a proposal that subscription rights may be granted under the 2022 Plan, to

employees in the Group who wish or have committed to participate in this arrangement. The subscription rights would be issued on essentially the same terms as other subscription rights issued under the 2022 Plan but would vest 100% after a period of six months following the date of grant, and the subscription amount to be paid upon vesting, would be made by the Company from the cash salary payment that otherwise would have been payable had they not participated in the arrangement.

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

On 15 June 2023, the Company announced the completion of a private placement of 74,422,849 shares (Tranche 1) and an allocation of 409,817,412 shares (Tranche 2) at a subscription price of NOK 0.10 per share, for gross proceeds of approximately NOK 48.4 million. The share capital increase associated with Tranche 1 has been duly registered in the Register of Business Enterprises. Tranche 2 took place July 2023. See Note 14.

	Date	Number of shares	Price per share
Private placement	14 March 2023	500,000,000	0.10
Private placement	19 June 2023	74,422,849	0.10
Shares issued in 2023		**574,422,849**	
Subscription rights exercised in 2023		**–**	**–**

	1 January – 30 June 2023	1 January – 31 December 2022
Number of warrants		
Warrants opening balance	–	18,518,518
Allotment of warrants	–	–
Exercise and expiry of warrants	–	(18,518,518)
Warrants closing balance	**0**	**0**
Number of subscription rights		
Subscription rights opening balance	23,070,107	21,278,803
Grant of incentive subscription rights	70,399,857	3,101,502
Terminated, forfeited and expired subscription rights	(12,777,263)	(572,200)
Exercise of subscription rights	–	(737,998)
Subscription rights closing balance	**80,692,701**	**23,070,107**

	Date	Subscription rights	Price	Vesting	Expiration
2023					
Board members	4 May 2023	10,000,000	0.100	fully vested at grant date	25 May 2027
	24 May 2023	37,211,424	0.100	1/3 immediately, 1/3 after 1 year, 1/3 after 2 years	24 May 2028
Employees	4 May 2023	20,778,433	0.183	50% per year	25 May 2027
	4 May 2023	2,410,000	0.183	100% over six months	25 May 2027
Grants of subscription rights in 2023		**70,399,857**			
2022					
Board members	25 May 2022	2,000,000	2.50	12.5% per quarter	25 May 2027
Employees	1 January 2022	90,002	6.30	50% per year	3 June 2026
	3 May 2022	161,500	3.64	50% per year	3 June 2026
	25 August 2022	850,000	3.43	50% per year	25 May 2027
Grants of subscription rights in 2022		**3,101,502**			

11. Current and long-term debt

In September 2019, the subsidiary in US, Ensurge Micropower, Inc., closed an equipment term loan facility with Utica for USD 13,200 thousand secured by fixed assets (see Note 8).

On 7 November 2022, the Company consolidated and reamortized the Master Lease Agreement and three amendments with Utica. In connection with the new arrangement, the company has pledged additional collateral to secure the amended payment terms. In addition to the existing collateral pledge, Ensurge has pledged all remaining unsecured equipment located in the San Jose, California facility. Further, Utica has taken a first security position in certain of Ensurge Micropower ASA's intellectual property. At 30 June 2023, the current portion of the loan principal is USD 1,932 thousand. The long-term portion of the principal of USD 6,145 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position.

The Company has pledged its roll-to-roll production line equipment and sheet-line tools as collateral against the Utica loan. Book value of assets pledged is USD 2,094 thousand.

The Company entered into a lease agreement in November 2016 relating to its US headquarters in San Jose, California. The lease in San Jose expires in September 2028. As a part of the relocation of Ensurge's US headquarters in 2017, a USD 1,600 thousand Letter of Credit was issued by Ensurge Micropower ASA to the landlord. The restricted cash of USD 1,600 thousand securing the Letter of Credit is included in the Company's cash and cash equivalents. Ensurge Micropower ASA, in addition, entered into a Tenancy Guarantee with the landlord. The guarantee was given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 30 June 2023, the guarantee liability amounted to USD 2,500 thousand.

The San Jose, California lease is reflected under this caption and the table below. In addition, see Note 12. The interest rate for the financing is at 17%. The table below disclosures principal payment obligations for the company.

Maturity schedule — liabilities

30 June 2023	Q3 23	Q4 23	2024	2025	2026	2027	2028
Principal obligations due	293	310	1,430	1,796	2,257	1,337	—
Convertible debt obligations due (i)	4,849	—	—	—	—	—	—
Liquidity loan (i)	657	—	—	—	—	—	—
Interest payments	666	405	1,427	1,060	600	92	—
Lease payments	542	558	2,246	2,311	2,378	2,447	1,875
Total current and long-term debt	**6,349**	**1,273**	**5,103**	**5,167**	**5,235**	**3,876**	**1,875**

(i) See Note 13 for amendments to the convertible debt and term for the liquidity loan.

12. Right-of-use

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

	Lease liability
Lease liability recognized at 1 January 2023	10,897
Lease payment (see note below)	(1,083)
Interest expense	385
Lease liability as of 30 June 2023	**10,199**

In the statement of cash flow, principal portions of lease payments are included in line “Lease payment” with an amount of USD 698 thousand, and interest portions of the payments are included in line “Interest paid” with an amount of USD 385 thousand. Both of them are presented as cash flow from financing activities.

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

13. Convertible debt

On 24 July 2022, the Company announced that it secured funding totaling NOK 57 million. Of this amount, NOK 46.7 million represented commitments to subscribe for convertible loans. The convertible loans were approved at and subscribed following the EGM held 17 August 2022. The convertible loans were repayable 17 August 2023 and the lenders were entitled at any time after 17 February 2023 to convert the loans into shares in the Company at a conversion price of NOK 3.00 per share. The convertible loans carry interest at the rate of 5% per annum.

At the EGM on 11 July 2023, the shareholders approved amendments to the terms and conditions of the convertible loans as follows: (i) the conversion price was amended to NOK 0.10 per share provided the loan holder converted its convertible loan on or before 17 August 2023; (ii) the accrued interest on the convertible loans was made convertible on the same terms as the principal amount; and (iii) the maturity date for the convertible loan was extended until 17 August 2024 with interest accruing at 5% per annum for such extended loan period; provided, however, that if the loan holder did not convert the Convertible Loan on or before 17 August 2023, the conversion price would be NOK 0.15 per share and conversion could only be undertaken in the period between 17 January 2024 and the maturity date on 17 August 2024.

Lenders representing 85% of the loan value have timely notified that they will convert their loans, including accrued interest, to shares at NOK 0.10 per share. The remaining 15% agreed to roll over the loan for a new period.

The nominal value of the remaining convertible debt amounts to USD 650 thousand is due on 17 August 2024.

Liquidity loans totaling USD 657 thousand were obtained in June 2023. The interest rate was 12% per annum. The loans were converted to shares at the EGM on 11 July 2023 as part of Tranche 2 of the private placement announced on 15 June 2023. See Note 14.

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

	30 June 2023	30 June 2022	31 December 2022
Short term debt	$4,116	—	$3,692
Derivative liabilitiy	169	—	223
Accrued interest	188	—	86
Conversion price*	NOK 3.00		NOK 3.00
Interest rate	5%		5%
Maturity date*	17 August 2023		17 August 2023

*New loan terms revised per the EGM held 11 July 2023.

14. Events occurring after the balance sheet date

Lars P. Eikeland, Interim Chief Financial Officer, assumed the additional role of Interim Chief Executive Officer effective 15 July 2023.

Mark Newman's role as Interim Chief Executive Officer ended 15 July 2023. The company also announced that Victoire de Margerie had resigned from the Board of Directors.

At the 11 July 2023 EGM, Nina Riibe was elected as a new Board member for a two-year term until the 2025 Annual General Meeting. The Board now consists of Terje Rogne (Chair), Morten Opstad and Nina Riibe.

An amendment to the terms of the convertible loans was approved at the EGM held on 11 July 2023. See Note 13.

On 15 June 2023, the Company announced funding of approximately NOK 48.4 million in a private placement, split into 2 tranches. The first tranche, completed on 15 June 2023, totals 74,422,849 shares at NOK 0.10 per share. At the 11 July 2023 EGM the shares allocated to Tranche 2 total 409,817,412 at NOK 0.10 per share and the Subsequent Offering were approved. Tranche 2 shares were registered on 21 July 2023. The subscription period for the Subsequent Offering began 15 August 2023 and expired 29 August 2023. The Subsequent Offering was oversubscribed.

Responsibility Statement

The board of directors and the managing director have today reviewed and approved the Ensurge Micropower ASA unaudited interim condensed financial statements as of 30 June 2023.

- The interim condensed consolidated financial statements with notes for the first half of 2023 have been prepared in accordance with IAS 34 – Interim Financial Reporting and additional disclosure requirements as stated in the Norwegian Securities Trading Act section 5-6.
- The interim condensed consolidated financial statements for the first half year of 2023 give a true and fair view of Ensurge's assets, liabilities, financial position and results for the period viewed in their entirety.
- The report from the board of directors issued in concert with this consolidated review report gives a true and fair view of the development, performance and financial position of the group, and a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements.
- A description of the principal risks and uncertainties for the remaining six months of the financial year have been disclosed in the condensed consolidated review report and Note 2.
- Major related party transactions have been disclosed in Note 4 of the financial statements.

The board of directors of Ensurge Micropower ASA, Oslo, Norway, 29 August 2023

Terje Rogne Chairman	Morten Opstad Board Member	Nina Riibe Board Member	Lars Eikeland Interim CEO