Ensurge Micropower ASA

First Half 2021

Interim Report and Financial Statements

ENSURGE™
MICROPOWER

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About Ensurge

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

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

Business Review

As Ensurge approaches commercialization of its solid-state lithium battery (SSLB) technology and Microbattery Product Platform (MPP) this year, the Company continued to execute on key technical, go-to-market, and corporate initiatives during the second quarter.

In June, the Company completed its renaming from Thin Film Electronics ASA to Ensurge Micropower ASA. The Ensurge brand reflects the energy and momentum inherent in the company's strategy to bring premium solid-state microbatteries with unmatched volumetric energy densities and manufacturing scale to hearables, wearables, and connected sensors. The new brand and associated visual identity reinforce the Company's purpose to enable, ensure, and energize innovation for its customers.

The Company achieved technology development and manufacturing readiness milestones, including the successful deposition of battery materials on ultrathin 10-micron steel substrates, using the Company's installed roll-to-roll equipment. The combination of ultrathin steel substrates and roll-based manufacturing is fundamental to the Company's advantages in volumetric energy density and manufacturing scalability. Ensurge also confirmed, ahead of schedule, the validation of the complete roll-to-roll tool set in the Company's San Jose, California factory and further confirmed initial deliveries of equipment enabling enhanced microbattery stacking and packaging operations.

During the quarter, the Company made expected progress in its go-to-market activities. Notably, Ensurge confirmed a commercial agreement to deliver MPP-based batteries to a Fortune Global 500 customer active in the wearables market. This initial agreement follows the prior signing of technology evaluation agreements with multiple customers and indicates commercial interest in the expected energy density, safety, form factor, and scale advantages enabled by Ensurge's SSLB technology, product platform, and roll-based manufacturing.

The Company also announced the appointment of Dr. Shirley Meng, a globally recognized, award-winning energy storage innovator, as the inaugural member of the Ensurge Technical Advisory Board. Dr. Meng is Zable Endowed Professor in Energy Technologies and Professor of NanoEngineering at the University of California, San Diego (UCSD). The Ensurge Technical Advisory Board is chartered to provide expert advice, facilitate critical relationships, and guide long-term strategic planning in areas critical to the company's strategy and technology roadmaps. Dr. Meng will collaborate with Ensurge to unlock the commercial potential of the Company's innovations in battery materials, process technology, and manufacturing.

With respect to financing, the Company's second quarter corresponded to the exercise period for the Company's Warrants C, which could be exercised between 31 March and 30 June 2021. During the exercise period, Warrants C raised approximately NOK 94 million in gross proceeds. Subsequent to the end of the second quarter, the exercise period for Warrants B closed on 20 August 2021. Subject to receipt of payment and issuance of shares, Warrants B are expected to have raised a total of NOK 68 million in gross proceeds since issuance.

Following the name change to Ensurge Micropower ASA, the Company's shares on Oslo Børs now trade under the symbol ENSU. In the United States, the Company's sponsored Level I American Depositary Receipts (ADRs) on the OTCQB Venture Market now trade under the symbol ENMPY.

Outlook

Ensurge remains on track to deliver initial roll-based SSLB samples to customers in the fourth quarter of 2021. In support of this and related commercialization milestones, the Company is currently focused on manufacturing readiness of the roll-based production line, installation and verification of the stacking and encapsulation capabilities in the Company's San Jose facility, and the signing of additional commercial agreements with customers.

To support manufacturing scale-up, the Company has, as of the date of this report, begun to receive critical manufacturing equipment to increase throughput, maximize consistency, and maintain differentiated volumetric energy densities in stacked microbattery products. The Company is focused on the transfer of sheet-based manufacturing technology to the roll-based production line to provide customer samples based on the Microbattery Product Platform (MPP). Recently delivered equipment will enable uniquely energy dense battery products through efficient stacking of multiple ultrathin stainless-steel-based layers. The resulting microbattery products can deliver a unique combination of high volumetric energy density and roll-to-roll manufacturing scale that, unlike solid-state microbattery competitors, enables Ensurge to deliver commercially relevant quantities with sufficient energy capacities required to serve the wearables and connected sensor markets.

Following Ensurge's announcement of a customer agreement with a Fortune Global 500 company active in the wearables market, the Company announced an additional customer agreement with a global leader in the medical hearables market. Under this agreement, announced in early July 2021, Ensurge will deliver customized solid-state microbatteries based on the Ensurge Microbattery Product Platform (MPP). Products delivered under this agreement leverage the inherent customizability of the Ensurge MPP and are tailored to meet unique form factor requirements that cannot be addressed by legacy coin or button cell alternatives. Furthermore, because MPP-based products are designed to be attached to circuit boards with surface mount technology (SMT)-like processes, customers will be able to more reliably and efficiently integrate Ensurge microbatteries into their systems. The MPP-based products are also intended to showcase the best-in-class volumetric energy density, cycling performance, and safety that are fundamental to the Ensurge Microbattery Product Platform.

In addition to announced customer orders, the Company continues to expand its engagements with major enterprises and innovative start-ups active in Ensurge's target markets, with multiple potential agreements currently in the Company's pipeline. In addition, the Company has built a priority list of more than ten additional customers in target markets who eagerly anticipate the Company's initial samples in order to further evaluate customized MPP-based designs for their unique designs.

To lead Ensurge sales and marketing efforts, the Company has hired Vijay Parmar as VP Sales & Marketing. Vijay has extensive leadership experience in both publicly traded companies and fast-growing startups with particular expertise in wearables, IoT, and connectivity. He previously served as Founder and CEO of IoT connectivity pioneer GainSpan and M2M solutions provider ReZolt, both later acquired. He served in senior leadership roles at Intel, where he launched a business unit focused on IoT connectivity, and at AMD, where he led marketing for telecommunications and networking products. He serves as a board member of Valencell and Nymi.

Condensed Consolidated Financial Report as of 30 June 2021

Following the announcement of its SSLB strategy in January 2020, the Company's business activities have been organized around the priorities of achieving technical success in SSLB development, enabling manufacturing scale in the Company's roll-to-roll factory, securing market interest in the Company's differentiated capabilities and products, and deploying a financial model that is optimized to support the Company's critical technical and market development milestones.

The Company pursues a focused hiring strategy in support of critical technology development, manufacturing, and go-to-market milestones. The Company's operating plans are designed to fully support the activities necessary to achieve technical and market objectives while preserving cash.

Profit and Loss

Ensurge had zero sales revenue in the first six months of 2021, compared to USD 492 thousand during the same period last year. For the first six months of 2020, the USD 492 thousand represented the sale of the EAS on-hand finished goods inventory that had been prepaid by the customer in December 2019 and delivered in January 2020.

Operating costs amounted to USD 8,443 thousand during the first six months of 2021, including the notional cost of share-based compensation of USD 1,518 thousand. The corresponding figures for the same period last year were USD 6,056 thousand and USD 147 thousand, respectively. The increase in operating costs during the first six months of 2021, compared to the same period of 2020, was USD 2,387 thousand, primarily attributable to the increase in payroll costs and share-based compensation. The expenses by major category are as follows:

1. USD 1,591 thousand higher payroll cost.
2. USD 1,367 thousand higher employee share-based remuneration costs. The fair value of granted employee subscription rights are valued based on the Black-Scholes formula and expensed over the vesting period.
3. USD 94 thousand lower services costs.
4. USD 477 thousand lower other expenses.

The company focused R&D efforts toward achieving technical success in solid-state lithium battery technology development. During the first six months of 2021, R&D spending was USD 1,478 thousand compared to USD 1,292 thousand for the same period in 2020.

Investments in fixed and intangible assets during the first six months of 2021 totaled USD 1,203 thousand, compared to zero during the same period of 2020.

Net financial items for the first six months of 2021 amounted to an expense of USD 12,466 thousand (First half 2020: USD 2,521 thousand expense) and were mainly related to changes in warrant liability.

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 the first six months of 2021, nor in the same period of the prior year. The Company has not recognized any deferred tax assets on its balance sheet relating to these tax loss carryforward positions, as this potential asset does not yet qualify for inclusion.

The loss for the first six months of 2021 was USD 20,934 thousand, corresponding to a basic loss per share of USD 0.02. During the same period of 2020, the loss amounted to USD 8,083 thousand, corresponding to a basic loss per share of USD 0.07.

Cash Flow

The group's cash balance increased by USD 1,263 thousand during the first six months of 2021, compared to a decrease of USD 5,209 thousand during the same period last year. The net increase in cash balance is explained by the following principal elements:

1 USD 6,653 thousand outflow from operating activities,

2 USD 1,229 thousand outflow from investing activities, and

3 USD 9,145 thousand inflow from financing activities.

The USD 6,653 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation, amortization, and impairment charges of USD 6,843 thousand. The cash balance on 30 June 2021 amounted to USD 7,053 thousand, while the cash balance on 30 June 2020 amounted to USD 3,663 thousand. The cash balance at 30 June 2021 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 (see Note 11. Current and long-term Debt for further detail).

Balance Sheet

Non-current assets amounted to USD 2,003 thousand (30 June 2020: USD 637 thousand). The increase in non-current assets from 30 June 2020 to 30 June 2021 was mainly due to investment in fixed assets. Trade and other receivables amounted to USD 574 thousand as of 30 June 2021 (30 June 2020: USD 1,596 thousand). The reduction relates mainly to receipt of payment in the second quarter of 2020 following the sale of equipment at the end of 2019. Non-current liabilities as of 30 June 2021 totaled USD 19,420 thousand (30 June 2020: 24,139 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 Leaseco, LLC. The equity ratio was negative 433 percent as of 30 June 2021, versus negative 424 percent as of 30 June 2020.

Principal Risks

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

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

I The Company's restructuring and refocus on microbattery technology has resulted in headcount and expenses in line with the Company's revised SSLB strategy and operating plan. As of 30 June 2021, the Company had a cash balance of approximately USD 7.1 million (including restricted cash of approximately USD 1.6 million and approximately USD 62 thousand paid for shares not yet issued as of the balance sheet date). On 3 July 2021, the Company announced the board's approval of the exercise of approximately 295 million warrants, raising approximately NOK 74 million. Shares were subsequently issued and the corresponding registration of share capital increase was announced on 30 July 2021. On 25 August 2021, the Company announced board approval of the exercise of approximately 196 million warrants, raising approximately NOK 49 million. To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns.

II Technology development and engineering sample availability on Ensurge's sheet line, as well as technology transfer to and scale-up activities related to Ensurge's roll-to-roll line, can be adversely affected by several factors including but not limited to:

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

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

- Achievement of return-to-manufacturing readiness and qualification of the tool set.
- On site availability of vendor personnel to assist in requalification of the machines with battery materials set.
- Electro-Static Discharge (ESD) or other phenomena that may cause the need for process or mechanical handling changes in the manufacturing line.
- Lower than anticipated throughputs and uptime of the equipment with the battery material set resulting in a lower capacity than planned.
- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance and defectivity of the device.
- New and unknown modes of yield loss necessitating process, practice, or equipment modifications that can result in a slower than planned yield ramp.
- Issues encountered during roll handling, processing, and assembly of ultrathin substrates and battery stacks.
- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

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

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

- Our ability to meet our growth targets depends on successful product, marketing, and operations innovation and successful responses to competitive innovation and changing consumer habits that may result in changes in our customers' specifications.
- Our revenues are dependent on the pace of technology evaluation and product qualification activities at our customers, and delays in battery or end-product qualification or changes to production schedules may affect the quantity and timing of purchases from Ensurge. Such customer qualification and customer production scheduling delays are generally outside the control of Ensurge.

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

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

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

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

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

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

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

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

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

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

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

Going Concern

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

As of the date of this report, the group and parent company have sufficient funds to support operations into the fourth quarter of 2021, independent of funds expected from warrant exercises approved in August 2021 but for which shares have not yet been issued. As announced on 25 August 2021, the company has received, and the board has subsequently approved, additional notices of exercise for a total of approximately 196 million warrants. Following receipt of payment and subsequent issue of shares, the funding raised by such warrant exercises is sufficient to support operations into the first quarter of 2022.

To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the group, the board of directors has, since early Q1 2020, undertaken the following initiatives:

- Secured equity funding approved by the shareholders at the 20 May 2020 Extraordinary General Meeting, equity funding approved by the shareholders at the 19 August 2020 Extraordinary General Meeting, and a private placement completed on 1 March 2021
- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitments; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources.

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. Based on this, it is appropriate to prepare the financial statements on the going concern basis.

To raise funds in support of business activities in 2020 and 2021, the company issued three classes of warrants, all now expired as of the date of this report, as part of the private placement and subsequent offering approved in the Extraordinary General Meeting of 20 May 2020 and the private placement and subsequent offering approved in the Extraordinary General Meeting of 19 August 2020:

- Warrant A, which expired on 31 December 2020. Warrants A raised a total of approximately NOK 30 million.
- Warrant B, which expired on 20 August 2021. Warrants B raised a total of approximately NOK 68 million, including NOK 49 million expected from approved exercise notices announced on 25 August 2021. The corresponding shares will be issued following receipt of payment.
- Warrant C, which expired on 30 June 2021. Warrants C raised a total of approximately NOK 94 million.

Ensurge Micropower ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 January - 30 June 2021	1 January - 30 June 2020	1 January - 31 December 2020
Sales revenue		—	491	492
Other income		—	4	21
Total revenue & Other Income		—	**495**	**513**
Operating costs	9,10	(8,443)	(6,056)	(12,531)
Depreciation and amortization		(26)	(1)	(22)
Operating profit (loss)		**(8,469)**	**(5,562)**	**(12,040)**
Net financial items	12	(12,466)	(2,521)	(26,753)
Profit (loss) before income tax		(20,934)	(8,083)	(38,794)
Income tax expense		-		-
Profit (loss) for the period		**(20,934)**	**(8,083)**	**(38,794)**
Profit (loss) attributable to owners of the parent		**(20,934)**	**(8,083)**	**(38,794)**
Profit (loss) per share basic and diluted	6	(USD0.02)	(USD0,07)	(USD0.10)
Profit (loss) for the period		(20,934)	(8,083)	(38,794)
Currency translation		-	(48)	555
Total comprehensive income for the period, net of tax		**(20,934)**	**(8,131)**	**(38,239)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	30 June 2021	30 June 2020	31 December 2020
ASSETS	7			
Non-current assets				
Property, plant and equipment	3	1,429	64	226
Other financial receivables	8	574	573	573
Total non-current assets		**2,003**	**637**	**799**
Current assets				
Inventory		—	1	—
Trade and other receivables	8	1,252	1,596	1,140
Cash and cash equivalents (i)	11	7,053	3,663	5,790
Total current assets		**8,305**	**5,260**	**6,930**
TOTAL ASSETS		**10,308**	**5,897**	**7,729**
EQUITY				
Ordinary shares	5	15,528	3,576	12,014
Other paid-in equity		19,424	147	(47)
Currency translation		(13,801)	(14,404)	(13,801)
Retained earnings		(65,965)	(14,321)	(45,031)
Total equity		**(44,814)**	**(25,002)**	**(46,865)**
LIABILITIES	7			
Non-current liabilities				
Long-term debt	11	7,865	11,402	9,709
Long-term financial lease liabilities	11	11,555	12,737	12,175
Total non-current liabilities		**19,420**	**24,139**	**21,884**
Current liabilities				
Trade and other payables		3,961	3,967	3,445
Warrants liability (ii)	12	26,652	995	26,020
Current portion of long-term debt	11	5,089	1,798	3,245
Total current liabilities		**35,703**	**6,760**	**32,710**
TOTAL EQUITY AND LIABILITIES		**10,308**	**5,897**	**7,729**

(i) Includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Ensurge Micrpower ASA to the landlord of the San Jose, California facility and USD 62 thousand paid for shares not issued as of the balance sheet date.

(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	Currency translation	Retained earnings	Total
Balance at 1 January 2021	12,014	(47)	(13,801)	(45,032)	(46,865)
Share based compensation	—	1,091	—	—	1,091
Private placements, subsequent offerings, warrant exercises, total (approved 20 May 2020 and 19 August 2020)	2,617	13,003	—	—	15,620
Private Placement (March 2021)	897	5,377	—	—	6,275
Comprehensive income	—	—	—	(20,934)	(20,934)
Balance at 30 June 2021	**15,528**	**19,425**	**(13,801)**	**(65,966)**	**(44,814)**
Balance at 1 January 2020	18,660	—	(14,356)	(23,964)	(19,660)
Reduction of share capital by reduction of PAR	(17,726)	—	—	17,726	—
Share based compensation	—	147	—	—	147
Private Placement and subsequent offerings, total (approved 20 May 2020)	2,642	—	—	—	2,642
Comprehensive income	—	—	(48)	(8,083)	(8,131)
Balance at 30 June 2020	**3,576**	147	**(14,404)**	**(14,321)**	**(25,002)**
Balance at 1 January 2020	18,660	—	(14,356)	(23,964)	(19,660)
Reduction of share capital by reduction of PAR	(17,726)	—	—	17,726	—
Share based compensation	—	626	—	—	626
Private placements, subsequent offerings, warrant exercises, total (approved 20 May 2020 and 19 August 2020)	11,081	(672)	—	—	10,409
Comprehensive income	—	—	555	(38,794)	(38,239)
Balance at 31 December 2020	**12,014**	(47)	**(13,801)**	**(45,032)**	**(46,865)**

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 January - 30 June 2021	1 January - 30 June 2020	1 January - 31 December 2020
CASH FLOW FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(20,934)	(8,083)	(38,794)
Share-based payment (equity part)	5	1,091	147	626
Depreciation and amortization	3,4	26	1	23
Loss/(gain) on sale of fixed assets		-	89	(50)
Changes in working capital and non-cash items		697	(544)	(495)
Net financial items		12,466	2,521	26,803
Net cash from operating activities		**(6,653)**	**(5,869)**	**(11,886)**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	3	(1,229)	(65)	(248)
Proceeds from sale of fixed assets		—	—	(89)
Interest received		—	25	27
Net cash from investing activities		**(1,229)**	**(40)**	**(310)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	5	11,165	2,642	13,259
Interest paid	4	(1,513)	(1,466)	(3,185)
Lease payments	4	(507)	(476)	(960)
Net cash from financing activities		**9,145**	**700**	**9,114**
Net increase (decrease) in cash and bank deposits		**1,263**	**(5,209)**	**(3,082)**
Cash and bank deposits at the beginning of the period		5,790	8,872	8,872
Cash and bank deposits at the end of the period (i)		**7,053**	**3,663**	**5,790**

(i) Includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Ensurge Micrpower ASA to the landlord of the San Jose, California facility and USD 62 thousand paid for shares not issued as of the balance sheet date.

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 Micropower ASA and the subsidiaries Ensurge Micropower Inc. ("Ensurge Inc.") and TFE Holding. The group was formed on 15 February 2006, when Thin Film Electronics ASA purchased the business and assets, including the subsidiary Thin Film 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, the Company's American Depositary 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 first half of 2021 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 2020. 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 2020. 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. As of the date of this report, the group and the parent company have sufficient funds to support operations into the fourth quarter of 2021, not including funds expected from approved warrant exercises announced on 25 August 2021 but for which shares have not yet been issued. Following receipt of payment and issuance of shares, the funding raised by such warrant exercises is sufficient to support operations into the first quarter of 2022.

To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns. The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. Refer to the Principal Risks and Going Concern sections of this Interim Report.

The report was resolved by the Ensurge Micropower ASA Board of Directors on 26 August 2021.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 30 June 2021	
Net value on 1 January 2021	226
Additions	1,229
Depreciation	(26)
Net book value on 30 June 2021	**1,429**
Period ended 30 June 2020	
Net value on 1 January 2020	—
Additions	65
Disposals	—
Impairments	—
Depreciation	(1)
Net book value on 30 June 2020	**64**
Period ended 31 December 2020	
Net value on 1 January 2020	—
Additions	248
Disposals	(333)
Impairments	333
Depreciation	(22)
Net book value on 31 December 2020	**226**

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.

	Lease Liability
Lease liability recognized at 1 January 2021	13,244
Lease payment (see note below)	(980)
Interest expense	473
Lease liability as of 30 June 2021	**12,737**

In the statement of cash flow, principal portions of lease payments are included in line “Lease payment” with an amount of USD 507 thousand, and interest portions of the payments are included in line “Interest paid” with an amount of USD 473 thousand. Both of them are presented as cash flow from financing activities.

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

5. Shares, warrants and subscription rights

Number of shares	
Shares at 1 January 2021	985,548,186
Shares at 30 June 2021	**1,255,607,791**
Shares at 1 January 2020	58,593,581
Shares at 31 December 2020	**985,548,186**

Number of subscription rights	1 January - 30 June 2021	1 January - 30 June 2020	1 January - 31 December 2020
Subscription rights opening balance	84,168,580	5,373,230	5,373,230
Grant of incentive subscription rights	104,523,352	132,000	81,363,440
Terminated, forfeited and expired subscription rights	(123,959)	(673,312)	(2,568,090)
Subscription rights closing balance	**188,567,973**	**4,831,918**	**84,168,580**

Number of warrants	1 January - 30 June 2021	1 January - 30 June 2020	1 January - 31 December 2020
Warrants opening balance	717,651,036	—	—
Allotment of warrants	—	581,818,180	982,351,512
Exercise and expiry of warrants	(208,708,819)		(264,700,476)
Warrants closing balance	**508,942,217**	**581,818,180**	**717,651,036**

On 1 March 2021, the Company announced the completion of a private placement of 68,922,869 shares at a subscription price of NOK 0.82 per share, resulting in gross proceeds of NOK 56,517 thousand.

On 3 July 2021, the Company announced the board's approval of the exercise of approximately 295 million warrants, raising approximately NOK 74 million. Shares were subsequently issued and the corresponding registration of share capital increase was announced on 30 July 2021.

As announced on 25 August 2021, the company has received, and the board has subsequently approved, additional notices of exercise for a total of approximately 196 million warrants. Following receipt of payment and subsequent issue of shares, such warrant exercises are expected to generate gross proceeds of approximately NOK 49 million.

6. Profit (loss) per share

	1 January - 30 June 2021	1 January - 30 June 2020	1 January - 31 December 2020
Profit (loss) attributable to shareholders (USD 1000)	(20,934)	(8,083)	(38,794)
Weighted average basic number of shares in issue	1,111,145,784	111,112,347	393,183,402
Weighted average diluted number of shares	1,111,145,784	111,112,347	393,183,402
Profit (loss) per share, basic and diluted	**(USD 0.02)**	**(USD 0.07)**	**(USD 0.10)**

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 reserve share split resolved by the extraordinary general meeting of the Company on 23 October 2019.

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 2021, the guarantee liability amounted to USD 3,500 thousand.

8. Trade and other receivables

Amounts in USD 1,000	30 June 2021	30 June 2020	31 December 2020
Accounts receivable	5	57	—
VAT-related receivables	565	512	201
Pre-payments to suppliers	682	964	926
Other current receivables	—	63	13
Sum	**1,252**	**1,596**	**1,140**

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

9. Operating costs

Amounts in USD 1000	1 January - 30 June 2021	1 January - 30 June 2020	1 January - 31 December 2020
Payroll	3,314	1,723	4,766
Share-based remuneration	1,518	151	679
Services	1,041	1,135	1,808
Premises, supplies	1,951	1,120	3,270
Sales and marketing	71	27	65
Other expenses	548	1,900	1,943
Total operating costs	**8,443**	**6,056**	**12,531**

10. Related party transactions

In the period 1 January to 30 June 2021 and 2020, Ensurge recorded USD 272 thousand and USD 180 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 June 2021, Ensurge recorded USD 122 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.

The amount outstanding to related parties in "Trade and other payables" as of 30 June 2021 amounted to USD 65 thousand.

11. Current and long-term debt

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

The Company entered into the Second Amendment (Amendment) in December 2020. The new terms of the amended agreement are that the lender agreed to accept modified payments from January 2021 through June 2021. In July 2021, regular payments resumed, including 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 June 2021, the current portion of the loan principal is USD 5,089 thousand. The long-term portion of the principal of USD 7,865 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. The building element of the lease agreement is classified as a lease liability. The land element of the lease became classified as a lease liability from 1 January 2019. 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 2021, the guarantee liability amounted to USD 3,500 thousand.

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

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

Maturity schedule — liabilities

30 June 2021	1 year	2–3 years	3–4 years	4–5 years	Over 5 years
Principal obligations due	5,090	4,203	3,663	—	—
Interest payments	1,707	1,042	271	—	—
Lease payments	1,996	2,121	2,182	2,246	6,700
Total current and long-term debt	**8,793**	**7,366**	**6,116**	**2,246**	**6,700**

12. Warrants liability

In connection with the Extraordinary General Meeting held on 20 May 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

1 The private placement and issuance of 227,272,727 new shares, resulted in two (2) warrants (“Warrants”) issued to such subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, (“Warrant A”), expired on 31 December 2020. The second tranche of warrants, totaling 227,272,727 warrants (“Warrant B”), expired on 20 August 2021. At the time of issue, the value of these warrants was determined to be USD 17,912 thousand based on the Black-Scholes valuation model.

2 The subsequent offering and issuance of 63,636,363 shares, resulted in two (2) warrants issued to such subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants (“Warrant A”), expired on 31 December 2020. The second tranche of warrants, totaling 63,636,363 warrants (“Warrant B”), expired on 20 August 2021. At the time

of issue, the value of these warrants was determined to be USD 3,725 thousand based on the Black-Scholes valuation model.

At the Extraordinary General Meeting held on 19 August 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

1 The Company completed a private placement of 333,866,666 shares. For each private placement share a warrant was attached and issued to each subscriber. A total of 333,866,666 warrants ("Warrant C"), expired on 30 June 2021. At the time of issue, the value of these warrants was determined to be USD 6,063 thousand based on the Black-Scholes valuation model.

2 The subsequent offering and issuance of 66,666,666 shares resulted in 66,666,666 warrants issued to each subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The warrants, totaling 66,666,666 warrants ("Warrant C"), expired on 30 June 2021. At the time of issue, the value of these warrants was determined to be USD 1,690 thousand based on the Black-Scholes valuation model.

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 will be received by the Company are not fixed and will vary based on foreign exchange rates. The warrants are a derivative and are required to be recognized and measured at fair value at each reporting period. Any changes in fair value from period to period are 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 will pay 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 that expire unexercised will be 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 June 2021	As of 30 June 2020	As of 31 December 2020
Opening Balance	$26,020	$—	$—
Warrants Issued	—	995	29,389
Warrants Exercised	(10,547)	—	(7,326)
Change in fair value of warrant liability	11,470	—	6,118
Ending Balance	26,943	995	28,181
Deferred loss*	(291)		(2,161)
Warrants liability	26,652	995	26,020

* Of the difference between fair value and transaction price at issue date; USD 19,370 thousand, USD 4,860 thousand has been deferred and will be expensed over the lifetime of the warrants (remaining deferral at 30 June 2021 is USD 291 thousand) whereas the rest has been expensed immediately.

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 20 May 2020	As of 30 June 2021	As of 30 June 2020	As of 31 December 2020
		Warrant A	
Share price		NOK 0.39	
Exercise price		NOK 0.11	
Expected term (in years)		0.51	
Expected share price volatility		193.72%	
Annual rate of quarterly dividends		0.00%	
Risk-free interest rate		0.040%	
Warrant expiration date		31 December 2020	

	Warrant B	Warrant B	Warrant B
Share price	NOK 0.71	NOK 0.39	NOK 0.56
Exercise price	NOK 0.25	NOK 0.25	NOK 0.25
Expected term (in years)	0.39	1.14	0.64
Expected share price volatility	100.84%	151.45%	113.76%
Annual rate of quarterly dividends	0.00%	0.00%	0.00%
Risk-free interest rate	0.151%	0.081%	0.031%
Warrant expiration date	20 August 2021	20 August 2021	20 August 2021

Private Placement and Subsequent Offering as approved on 19 August 2020	As of 30 June 2021	As of 30 June 2020	As of 31 December 2020
			Warrant C
Share price			NOK 0.56
Exercise price			NOK 0.25
Expected term (in years)			0.50
Expected share price volatility			82.81%
Annual rate of quarterly dividends			0.00%
Risk-free interest rate			0.02%
Warrant expiration date			30 June 2021

See Note 5 for more details.

13. Events occurring after the balance sheet date

On 3 July 2021 and as revised on 19 July 2021, the Company announced the exercise of a total of 4,362,682 Warrants B and a total of 290,666,821 Warrants C.

On 5 July 2021, the company announced a signed customer agreement with global leader in medical hearables market, in addition to previously announced Fortune Global 500 wearables customer. The Company has further customer agreements in pipeline.

On 25 August 2021, the Company announced the exercise of a total of 195,813,603 Warrants B. The Company also announced the exercise of a total of 46,955 Warrants C that, by inadvertence, had not been included in the board resolution announced on 19 July 2021.

In August 2021, the Company hired industry veteran Vijay Parmar as VP Sales & Marketing to lead go-to-market activities.

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 2021

- The interim condensed consolidated financial statements with notes for the first half of 2021 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 2021 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 10 of the financial statements.

The Ensurge Micropower ASA Board of Directors, Oslo, Norway, 26 August 2021

Morten Opstad
Chairman

Preeti Mardia
Board Member

Jon Castor
Board Member

Kelly Doss
Board Member

Kevin Barber
Managing Director (CEO)